ANNUAL REPORT

ANNUAL MEETING OF STOCKHOLDERS

Friday, June 19, 2015

1:00 p.m. Local Time

Capstone Therapeutics Corp.

1275 West Washington Street, Suite 104
Tempe, Arizona 85281

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held Friday, June 19, 2015

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders of Capstone Therapeutics Corp., a Delaware corporation, (the "Company"), will be held on **Friday, June 19, 2015 at 1:00 p.m. (local time) at the offices of the Company, 1275 West Washington Street, Suite 104, Tempe, AZ 85281,** for the following purposes:

(1) To elect one director as a Class III Director to serve until the Annual Meeting of Stockholders to be held in the year 2018, or until a successor is elected and qualified;

(2) To consider and act upon a proposal to ratify and approve the Company's 2015 Equity Incentive Plan;

(3) To consider and act upon a proposal to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from 100,000,000 to 150,000,000;

(4) To ratify the appointment of Moss Adams LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015; and

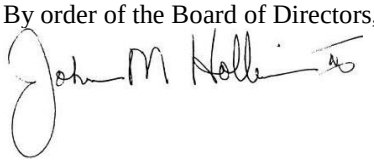
(5) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Stockholders of record at the close of business on April 30, 2015 are entitled to vote at the meeting and at any adjournment or postponement thereof. Shares can be voted at the meeting only if the holder is present or represented by proxy. A list of stockholders entitled to vote at the meeting will be open for inspection at the Company's corporate headquarters for any purpose germane to the meeting during ordinary business hours for 10 days prior to the meeting.

A copy of the Company's 2014 Annual Report to Stockholders, which includes audited financial statements, is enclosed. All stockholders are cordially invited to attend the Annual Meeting in person.

By order of the Board of Directors,



John M. Holliman, III
Executive Chairman

Tempe, Arizona
May 8, 2015

IMPORTANT: It is important that your stockholdings be represented at this meeting. Whether or not you expect to attend the meeting, please complete, date and sign the enclosed Proxy and mail it promptly in the enclosed envelope to assure representation of your shares. No postage need be affixed if mailed in the United States.

Capstone Therapeutics Corp.

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS
To Be Held Friday, June 19, 2015

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1275 West Washington Street, Suite 104
Tempe, Arizona 85281

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
To Be Held Friday, June 19, 2015

SOLICITATION, EXECUTION AND REVOCATION OF PROXIES

Proxies in the accompanying form are solicited on behalf, and at the direction, of the Board of Directors of Capstone Therapeutics Corp., (the "Company") for use at the Annual Meeting of Stockholders to be held on **Friday, June 19, 2015, at 1:00 p.m., local time, or any adjournment thereof (the "Annual Meeting") at the offices of the Company, 1275 West Washington Street, Suite 104, Tempe, AZ 85281**. All shares represented by properly executed proxies, unless such proxies have previously been revoked, will be voted in accordance with the direction on the proxies. If no direction is indicated, the shares will be voted in favor of each proposal to be acted upon at the Annual Meeting described in this Proxy Statement. The Board of Directors of the Company (the "Board") is not aware of any other matter which may come before the meeting. If any other matters are properly presented at the meeting for action, including a question of adjourning the meeting from time to time, the persons named in the proxies and acting thereunder will have discretion to vote on such matters in accordance with their best judgment.

When stock is in the name of more than one person, the proxy is valid if signed by any of such persons unless the Company receives written notice to the contrary. If the stockholder is a corporation, the proxy should be signed in the name of such corporation by an executive or other authorized officer. If signed as attorney, executor, administrator, trustee, guardian or in any other representative capacity, the signer's full title should be given and, if not previously furnished, a certificate or other evidence of appointment should be furnished.

This Proxy Statement and the Form of Proxy which is enclosed are being mailed to the Company's stockholders commencing on or about May 8, 2015. The Proxy Statement and Form of Proxy, as well as the Company's Annual Report on Form 10-K are available on the Company's website, **www.capstonethx.com**.

A stockholder executing and returning a proxy has the power to revoke it at any time before it is voted. A stockholder who wishes to revoke a proxy can do so by executing a later-dated proxy relating to the same shares and delivering it to the Secretary of the Company prior to the vote at the Annual Meeting, by written notice of revocation received by the Secretary prior to the vote at the Annual Meeting or by appearing in person at the Annual Meeting, filing a written notice of revocation and voting in person the shares to which the proxy relates.

In addition to the use of the mails, proxies may be solicited by personal conversations or by telephone, telex, facsimile or telegram by the directors, officers and regular employees of the Company. Such persons will receive no additional compensation for such services. Arrangements will also be made with certain brokerage firms and certain other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of Common Stock held of record by such persons, and such brokers, custodians, nominees and fiduciaries will be reimbursed for their reasonable out-of-pocket expenses incurred in connection therewith. The mailing address of the principal executive offices of the Company is 1275 West Washington Street, Suite 104, Tempe, Arizona 85281.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Only stockholders of record at the close of business on April 30, 2015 (the "Record Date") will be entitled to vote at the Annual Meeting. On the Record Date, there were issued and outstanding 40,885,411 shares of the Company's Common Stock. Each holder of Common Stock is entitled to one vote, exercisable in person or by proxy, for each share of the Company's Common Stock held of record on the Record Date.

VOTING PROCEDURES

The presence of a majority of the shares of Common Stock entitled to vote, in person or by proxy, is required to constitute a quorum for the conduct of business at the Annual Meeting. Abstentions and broker non-votes are each included in the determination of the number of shares present for quorum purposes. The Inspector of Election appointed by the Chairman of the Board of Directors shall determine the shares represented at the meeting and the validity of proxies and ballots and shall count all proxies and ballots. The nominee for director receiving the highest number of affirmative votes (whether or not a majority) cast for the Director by the shares represented at the Annual Meeting and entitled to vote thereon, a quorum being present, shall be elected as a director. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election. The affirmative vote of a majority of the outstanding shares of Common Stock is required for the approval of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock. Therefore, abstentions and broker non-votes will have the same effect as votes against this proposal. The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote is required with respect to the approval of the other proposals set forth herein. Abstentions have the effect of negative votes.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock at April 30, 2015 with respect to (i) each person known to the Company to own beneficially more than five percent of the outstanding shares of the Company's Common Stock, (ii) each director of the Company, (iii) each of the named executive officers and (iv) all directors and executive officers of the Company as a group. At April 30, 2015, there were 40,885,411 shares of the Company's Common Stock outstanding.

	Common Stock Beneficially Owned (1)	
Beneficial Owner	Number	Percent of Class
Eric W. Fangmann (2)	110,000	less than 1%
Fredric J. Feldman (3)	542,064	1.3
John M. Holliman, III (4)	1,430,170	3.4
Elwood D. Howse, Jr. (5)	539,203	1.3
Randolph C. Steer 65)	823,298	2.0
Les M. Taeger (7)	703,280	1.7
BVF Group (8)	7,755,688	19.0
Lloyd Miller, III (9)	7,926,389	19.4
All directors and executive officers as a group (10)	4,148,015	9.4

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares, which may be acquired upon exercise of stock options which are currently exercisable or which become exercisable within 60 days of the date of the table, are deemed beneficially owned by the optionee. Except as indicated by footnote, and subject to community property laws where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(2) Includes 110,000 shares Mr. Fangmann has a right to acquire upon exercise of stock options.

(3) Includes 316,500 shares Dr. Feldman has a right to acquire upon exercise of stock options. Voting and investment power shared with spouse.

(4) Includes 918,000 shares Mr. Holliman has a right to acquire upon exercise of stock options.
(5) Includes 316,500 shares Mr. Howse has a right to acquire upon exercise of stock options.
(6) Includes 778,000 shares Dr. Steer has a right to acquire upon exercise of stock options.
(7) Includes 658,706 shares Mr. Taeger has a right to acquire upon exercise of stock options.
(8) BVF Group (Biotechnology Value Fund, L.P., Biotechnology Value Fund II, L.P. BVF Investments, L.L.C., Investment 10, L.L.C., BVF Partners, L.P., BVF Inc.) is not a related party or otherwise affiliated with the Company, its directors or officers, and the principal business office of the Reporting Persons comprising the Group is located at 900 North Michigan Avenue, Suite 1100, Chicago, IL 60611.
(9) Lloyd Miller, III, is not a related party or otherwise affiliated with the Company, its directors or officers, except that Lloyd Miller, III, recommended Eric W. Fangmann to be a Company Board of Director member and Eric W. Fangmann is the Chief Financial Officer of various business entities associated with Mr. Miller, and the principal business office of the Reporting Person is located at 3300 S. Dixie Highway, Suite 1-365, West Palm Beach, Florida 33405.
(10) Includes 3,097,706 shares directors and executive officers have a right to acquire upon exercise of stock options.

The address of each of the listed stockholders, unless noted otherwise, is in care of Capstone Therapeutics Corp., 1275 West Washington Street, Suite 104, Tempe, AZ 85281.

PROPOSAL 1: ELECTION OF DIRECTOR.

One director is to be elected at the Annual Meeting to serve as a Class III director until the Annual Meeting of Stockholders to be held in the year 2018, or until a successor is elected and qualified Unless otherwise instructed, the proxy holders will vote the Proxies received by them FOR the Company's nominee, Elwood D. Howse, Jr., who is currently a Class III Director of the Company. The nominee for director receiving the highest number of affirmative votes (whether or not a majority) cast for the director by the shares represented at the Annual Meeting and entitled to vote thereon, a quorum being present, shall be elected as a director to serve. Only affirmative votes are relevant in the election of directors.

Pursuant to the Company's Certificate of Incorporation, the Board of Directors is classified into three classes, with each class holding office for a three-year period. The Certificate of Incorporation restricts the removal of directors under certain circumstances. The number of directors may be increased to a maximum of nine. On April 28, 2014, the Board of Directors increased the number of directors to four, composed of one director in each of Classes II and III and two directors in Class I.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors. If any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director.

The name of the nominee for director and of the directors, whose terms continue beyond the Annual Meeting, and certain information about them, are set forth below.

INFORMATION CONCERNING DIRECTORS

Nominee for Class III Director Whose Term Will Expire at the 2018 Annual Meeting

Elwood D. Howse, Jr. (1) (2) (3) Director since 1987

Elwood D. Howse, Jr., 75, has served as a director of the Company since September 1987. In 1982, Mr. Howse founded Cable, Howse and Ragen, investment banking and stock brokerage firm, subsequently known as Ragen MacKenzie. In 1977, Mr. Howse co-founded Cable & Howse Ventures, an early stage venture capital firm focused on technology. In 1976, he served as Vice President, Corporate Finance, for Foster & Marshall, a northwest stock brokerage firm. In 1974 he was the Chief Financial Officer of Seattle Stevedore Company and the Miller Produce Company. Mr. Howse has served as a corporate director and advisor to various public, private and non-profit enterprises. He served on the board of the National Venture Capital Association and is past President of the Stanford Business School Alumni Association. He currently serves on the boards of directors of Formotus, Inc., BeneSol

Corporation, Stella Therapeutics, Inc. and not-for-profit, Junior Achievement of Washington. Mr. Howse holds a BS in Engineering from Stanford University and an MBA from Stanford Graduate School of Business.

The Board believes Mr. Howse's education and experience, particularly Mr. Howse's financial experience, which qualifies him to be designated as our financial expert on our Audit Committee, brings important financial and business experience to the board and qualifies him to serve on our board.

Class II Director Whose Term Will Expire at the 2017 Annual Meeting

John M. Holliman, III Director since 1987

John M. Holliman III, 61, has served as Executive Chairman and Principal Executive Officer of the Company since April 2006 and has served as a director of the Company since September 1987 and as Chairman of the Board of Directors since August 1997. Since February 1993 he has been a general partner of entities which are the general partners of Valley Ventures, LP (formerly known as Arizona Growth Partners, LP), Valley Ventures II, LP, Valley Ventures III, LP, Valley Ventures III Annex, LP, all of which are venture capital funds that invest principally in life science companies.

John M. Holliman, III has over thirty years of business experience, including service on the boards of over forty companies, commercial lending experience with major financial institutions, and has been active in venture capital financing for over thirty years, concentrating in the medical/biotech industries. Mr. Holliman earned a BBA in Finance and a MBA from Southern Methodist University and a Master of International Management from the Thunderbird School of Global Management. During his career Mr. Holliman has gained substantial executive and board level experience in business, finance and operations. The Board believes the experience and knowledge of Mr. Holliman qualifies him to serve on our board.

Class I Directors Whose Terms Will Expire at the 2016 Annual Meeting

Fredric J. Feldman, Ph.D. (2) (3) Director since 1991

Fredric J. Feldman, Ph.D., 74, has been the President of FJF Associates, a consultant to health care venture capital and emerging companies, since February 1992 and has served as a director of the Company since 1991. From September 1995 to June 1996, he was the Chief Executive Officer of Biex, Inc., a women's healthcare company. He served as Chief Executive Officer of Oncogenetics, Inc., a cancer genetics reference laboratory, from 1992 to 1995. Between 1988 and 1992, Dr. Feldman was the President and Chief Executive Officer of Microgenics Corporation, a medical diagnostics company.

Dr. Feldman received his Ph.D. in analytical chemistry from the University of Maryland. He has been a director of a number of public and private companies involved in the healthcare industry. The Board believes that Dr. Feldman's over 40 years of operating, scientific and business experience in the medical/biotech industry qualifies him for service on our board.

Eric W. Fangmann (1)

Eric W. Fangmann, age 45, has served as a director of the Company since June 2014. Mr. Fangmann has been the Chief Financial Officer for Lloyd I. Miller, III, since 2011. Mr. Fangmann is also the Acting President and Acting Chief Financial Officer for Pharmos Corporation, a pharmaceutical company, since 2012. Mr. Fangmann was previously an independent accounting and finance consultant who was principally engaged by public and private entities to assist in independent analysis and other projects. Mr. Fangmann was appointed by the Board of Directors of Synergy Brands Inc. in 2011 as its chief financial officer and treasurer, and was appointed as officer and/or director of certain of its subsidiaries, to serve in such capacities on an interim basis in connection with certain filings under Chapter 7 of the U.S. bankruptcy code. From 2005 to 2010, Mr. Fangmann served as Executive Vice President Technology of Frontera Investment, Inc., a publicly held cash and loan company. Prior to that, Mr. Fangmann has served principally in senior management accounting and finance functions for both public and private entities such as The Upper Deck Company, LLC, PriceSmart, Inc. and Teletrac, Inc. From 1992 to 1996, Mr. Fangmann worked in the audit division of Arthur Andersen. Mr. Fangmann also serves on the board of directors of Alliance Semiconductor and Global Agora, LLC. Mr. Fangmann holds a B.S. in Accountancy - Cum Laude from the University of Missouri, Columbia, Missouri.

Mr. Fangmann was introduced and recommended to the Board as a nominee for director by Lloyd I. Miller, III, a significant shareholder. The Board believes Mr. Fangmann's diverse financial experience brings important experience to the Board and qualifies him to serve on our Board.

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(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance/Nominating Committee

Board Meetings and Committees

The Board of Directors is currently composed of four directors, including three outside directors. The Board has determined that each director (Dr. Feldman, Mr. Howse and Mr. Fangmann) other than Mr. Holliman is independent under the standards of Nasdaq Listing Rule 5605(a)(2). The Board of Directors held a total of six meetings during the fiscal year ended December 31, 2014. No director attended fewer than 75% of the aggregate of all meetings of the Board of Directors and any committee on which such director served during the period of such service. Currently, the Board of Directors does not have a policy regarding director attendance at the Company's annual meeting of stockholders. All of the directors attended last year's annual meeting of stockholders in person.

Independent directors regularly meet in executive sessions without the Executive Chairman or other members of management, to review the criteria upon which the performance of the Executive Chairman is based, the performance of the Executive Chairman against those criteria, to ratify the compensation of the Executive Chairman as approved by the Compensation Committee, and to discuss other relevant matters.

The Board presently has an Audit Committee, a Compensation Committee and a Corporate Governance/Nominating Committee.

Audit Committee

The Audit Committee, which is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), met five times in 2014 and consists of Mr. Howse (Chairman) and Mr. Fangmann. The Audit Committee assists the Board of Directors in its oversight of financial reporting practices, including the independent auditor's qualifications and independence, and the performance of the Company's internal audit function. The Audit Committee appoints the Company's independent auditor. The Audit Committee meets independently with representatives of the Company's independent auditor and with representatives of senior management. The Committee reviews the general scope of the Company's annual audit, the fee charged by the independent auditor and other matters relating to internal control systems. In addition, the Audit Committee is responsible for approving, reviewing and monitoring the performance of non-audit services by the Company's auditor. The Audit Committee operates under a written charter that has been adopted by the Board of Directors, a copy of which is available on the Company's website at www.capstonethx.com.

The Board of Directors has determined that the composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are in accordance with Nasdaq Marketplace Rules for audit committees. In particular, all Audit Committee members possess the required level of financial literacy, at least one member of the Audit Committee meets the current standard of requisite financial management expertise and the Board of Directors has determined that Elwood D. Howse, Jr., the Chairman of the Audit Committee, is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K of the Securities and Exchange Commission (the "SEC"). Additionally, all members of the Audit Committee are "independent directors" as defined in Nasdaq Listing Rule 5605(a)(2).

Compensation Committee

The Compensation Committee consists of Dr. Feldman (Chairman) and Mr. Howse. The Committee met one time during 2014. Each member of the Compensation Committee is an "independent director" as defined in Nasdaq Listing Rule 5605(a)(2) and is an "outside director" as defined in Section 162(m) of the Internal Revenue Code. The Compensation Committee reviews salaries and benefit programs designed for senior management, officers and directors and administers certain grants under the Company's stock option plans with a view to ensure that the Company is

attracting and retaining highly qualified managers through competitive salary and benefit programs and encouraging extraordinary effort through incentive rewards. The Compensation Committee does not have a written charter.

Corporate Governance/Nominating Committee

The Corporate Governance/Nominating Committee examines and recommends nominations for the Board of Directors and officers of the Company. The Corporate Governance/Nominating Committee operates under a written charter, a copy of which is posted on our website at www.capstonethx.com. The Corporate Governance/Nominating Committee has not established a formal policy on Board diversity (differences of viewpoint, professional experience, education, skills, race, gender, national origin, and other qualities and attributes that contribute to board heterogeneity), or minimum standards for Board nominees. However, the Corporate Governance/Nominating Committee has developed the following outline of core Board skills as a framework for the nominee evaluation process and considers diversity to strengthen the Board where overlapping skills are present.

- Operations Experience / Knowledge
    - Pharmaceutical Development
        - Basic Research
        - IND Process
        - Clinical Trial Process
        - NDA Process
- Scientific Experience / Knowledge
    - Understanding of basic scientific principles in indications under development by the Company

- Financial Experience / Knowledge
    - GAAP / Disclosure Controls / SEC Reporting
    - Business Transactions and Strategies
    - Risk Management
- Business Experience / Knowledge
    - Organization Management / Corporate Governance
    - Product Market Analysis / Strategy
    - Investor Relations

Accordingly, the Corporate Governance/Nominating Committee generally seeks candidates with chief operating, executive or financial officer experience in complex Biotech/Pharmaceutical organizations; a commitment to give the time and attention to the duties required of them; and evidence of an independent and inquiring mind willing to question management's assumptions. When a new director is needed, the Committee seeks recommendations from current directors, officers and business associates.

The Corporate Governance/Nominating Committee consists of Dr. Feldman (Chairman) and Mr. Howse. Each member of the Committee is an "independent director" as defined in Nasdaq Listing Rule 5605 (a)(2). The Corporate Governance/Nominating Committee met one time during 2014. For the nomination of the Class III Director to be voted on at our 2015 Annual Meeting, currently scheduled to be held on June 19, 2015, Mr. Howse excused himself from the Nominating Committee and Board of Directors nominating proceedings.

Stockholder Nomination of Director Candidates

The Corporate Governance/Nominating Committee will consider for nomination as a director of the Company any director candidate recommended or nominated by stockholders in accordance with the process outlined below. Director candidates recommended or nominated by stockholders are not evaluated differently from recommendations or nominations from other sources.

Stockholders wishing to recommend candidates for consideration by the Corporate Governance/ Nominating Committee may do so by providing the candidate's name, contact details, biographical data, and qualifications in writing to the Corporate Governance/Nominating Committee, c/o Secretary, Capstone Therapeutics Corp., 1275 West Washington Street, Suite 104, Tempe, Arizona 85281. The Board may change the process for the means by which stockholders may recommend director candidates to the Corporate Governance/Nominating Committee. Please refer to the Company's website at www.capstonethx.com and the Company's SEC filings for any changes to this process.

Any stockholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery at 1275 West Washington Street, Suite 104, Tempe, Arizona or by United States mail, postage prepaid to Secretary, Capstone Therapeutics Corp., 1275 West Washington Street, Suite 104, Tempe, Arizona 85281, not later than: (i) with respect to the election to be held at an annual meeting of stockholders, 20 days in advance of such meeting; and (ii) with respect to any election to be held at a special meeting of stockholders for the election of directors, the close of business on the fifteenth (15th) day following the date on which notice of such meeting is first given to stockholders. Each such notice must set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that such stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC if such nominee had been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Company if elected. The chairman of the stockholders' meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Board Leadership Structure and Role in Risk Oversight

The Company believes that the value to an organization of a separation of the duties of the Chairman of the Board and Principal Executive Officer depends largely on the operating characteristics and organizational structure of the Company.

Currently, the Company's operations are focused on pre-clinical studies and small early stage clinical trials. We have no products close to market and, accordingly, no product marketing, sales or manufacturing activities. We are a small organization of currently two full-time employees.

The Board believes the Company is at a stage where the Board can effectively perform its oversight responsibilities, including its responsibilities to oversee risk, without a separation of the Chairman and Principal Executive Officer position and that its leadership structure is currently the most efficient way to conduct its business. The Board administers these oversight responsibilities through review and approval of short and long term strategic plans, annual budgets, annual Company goals and objectives, executive management's compensation structure, and all transactions, contracts or agreements that could have, in the Board's opinion, a material effect on the Company. Additionally, the Board's Audit Committee assists the Board in its oversight of the Company's financial reporting process as outlined in this Proxy Statement and the Audit Committee's Charter.

The Company has a lead independent director (Elwood D. Howse, Jr.), who sets the agenda and leads the periodic meetings of non-executive independent directors. Under leadership of the lead independent director, the non-executive independent directors privately review and approve the Executive Chairman's annual goals and objectives and related compensation structure, as well as address any other business matters on which a director believes private discussion is required.

Stockholder Communications with Board

Stockholders wishing to communicate with the Board of Directors or with a Board member should address communications to the Board or to the particular Board member, c/o Secretary, Capstone Therapeutics Corp., 1275 West Washington Street, Suite 104, Tempe, Arizona 85281. All communications sent in this manner to the Board members will be forwarded directly to the Board. From time to time, the Board may change the process for the means by which stockholders may communicate with the Board or its members. Please refer to the Company's website at www.capstonethx.com for any changes to this process.

COMPENSATION OF DIRECTORS

The following table sets forth compensation awarded to, earned by or paid to the Company's directors during the last fiscal year. Mr. John Holliman, III is not included in this table and his compensation as a director is included in the Summary Compensation Table in the Executive Compensation section in this Proxy Statement.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards (1)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All other Compensation	Total
	$	$	$	$	$	$	$
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Eric W. Fangmann	12,000	-	8,000	-	-	-	20,000
Fredric J. Feldman	49,000	-	4,000	-	-	-	53,000
Elwood D. Howse, Jr.	49,000	-	4,000	-	-	-	53,000

(1) Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described in Note 5 to the Financial Statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015.

During the year ended December 31, 2014, the Company paid the independent directors Board Fees of $6,000 per quarter. Mr. Holliman's Board Fee was $4,000 per quarter. All directors are eligible for a grant of non-qualified stock options pursuant to the Company's 2005 Equity Incentive Plan. On June 10, 2005, the Board of Directors approved an annual award to each director of a non-qualified stock option to purchase 10,000 shares of the Company's Common Stock. The Company granted to each director (Holliman, Feldman, Howse) non-qualified options to acquire 10,000 shares at an exercise price of $0.26 per share on January 1, 2014 (fair value of $2,000). The Company also granted to Mr. Howse and Dr. Feldman non-qualified stock options to acquire 12,000 shares at an exercise price of $0.30 per share on February 6, 2014 (fair value of $2,000), to Mr. Holliman non-qualified stock options to acquire 22,000 shares at an exercise price of $0.30 per share on February 6, 2014 (fair value $5,000), and to Mr. Fangmann, non-qualified stock options to acquire 50,000 shares at an exercise price of $0.21 on June 12, 2014 (fair value $8,000). These options vested immediately and were granted at the closing market price on the date of grant. All options have been granted with ten-year terms.

The Board of Directors also approved a cash payment on January 1, 2014, to each director (Holliman $15,000, Feldman $25,000, Howse $25,000) in lieu of the annual award of the Company's restricted common stock.

Director Outstanding Equity Awards at Fiscal Year-End

Name		Option Awards				
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Options Exercise Price ($)	Option Expiration Date
(a)		(b)	(c)	(d)	(e)	(f)
John M. Holliman, III		200,000			1.75	5/12/2016
		50,000			1.02	2/21/2018
		125,000			0.45	2/3/2019
		100,000			0.82	2/4/2020
		25,000			0.70	10/30/2018
		65,000			0.17	5/18/2022
		65,000			0.16	8/9/2022
		51,000			0.21	2/28/2023
	*	20,167	1,833		0.30	2/6/2024
Eric W. Fangmann		50,000			0.24	6/12/2024
Various directors:						
(1) (2) (3)		10,000			4.90	1/2/2016
(1) (2) (3)		25,000			1.75	5/12/2016
(1) (2) (3)		10,000			1.43	1/1/2017
(1) (2) (3)		10,000			1.35	1/1/2018
(1) (3)		25,000			0.70	10/30/2018
(1) (2) (3)		10,000			0.42	1/1/2019
(1) (2) (3)		10,000			0.72	1/1/2020
(1)(2)(3)		10,000			0.58	1/1/2021
(1) (2) (3)		10,000			0.26	1/1/2022
(1) (2)		35,000			0.17	5/18/2022
(1) (2)		42,500			0.16	8/9/2022
(1) (2) (3)		10,000			0.17	1/1/2023
(1) (3)		27,000			0.21	2/28/2023
(1)(2)(3)		10,000			0.26	1/1/2024
(1)(3)	*	11,000	1,000		0.30	2/6/2024
Feldman, Fred (1)						
Holliman, John (2)		* Vest on 2/6/2015				
Howse, Elwood (3)		All other directors options were fully vested on 12/31/2014				

EXECUTIVE OFFICERS

The employment of Mr. Holliman and Dr. Steer was terminated effective October 31, 2011. They continue to perform many of their previous duties and responsibilities under consulting agreements.

The following table sets forth information regarding our executive officers and significant consultant:

Name	Age	Title
John M. Holliman, III	61	Executive Chairman/CEO and Principal Executive Officer
Randolph C. Steet, MD, Ph.D.	65	Consultant/Chief Medical Officer
Les M. Taeger	64	Senior Vice President, Chief Financial Officer and Principal Financial and Accounting Officer

John M. Holliman, III, became Executive Chairman and Principal Executive Officer of the Company on April 5, 2006 and has served as a director of the Company since September 1987 and as Chairman of the Board of Directors since August 1997. Since February 1993 he has been a general partner of entities, which are the general partners of Valley Ventures, LP (formerly known as Arizona Growth Partners, LP), Valley Ventures II, LP, Valley Ventures III Annex, LP, all of which are venture capital funds that invest principally in life science companies.

Randolph C. Steer, MD, Ph.D. served as President of the Company from April 5, 2006 until October 31, 2011. Since then, Dr. Steer has provided scientific, regulatory and clinical consulting services to the Company. Dr. Steer has been an independent pharmaceutical, biotechnology and medical devices consultant since 1989, and has provided services to the Company since 2002. He has a broad scientific, medical and business background, including extensive experience in pre-clinical, clinical and regulatory affairs, having held key management positions in leading corporations and having served as an advisor to many companies in the United States and abroad. Dr. Steer has also advised numerous venture capital firms, investment banks and independent investors on the commercial development of drugs, biologics, diagnostics and medical devices. He has served as Associate Director of Medical Affairs at Marion Laboratories; Medical Director at Ciba Consumer Pharmaceuticals (Ciba-Geigy Corporation); Vice President, Senior Vice President and Member of the Executive Committee at Physicians World Communications Group; Chairman, President and Chief Executive Officer of Advanced Therapeutics Communications International, a global drug regulatory group, and Chairman and Chief Executive Officer of Vicus.com, Inc. He is a member of the Board of Trustees of the Mayo Clinic and the Board of Directors of Techne Corporation and Vital Therapies, and was a member of the Board of Directors of BioCryst Pharmaceuticals from 1994 to 2009. Dr. Steer received his MD degree from the Mayo Medical School and his Ph.D. from the University of Minnesota, where he also completed a residency and subspecialty training in clinical and chemical pathology. He is a Fellow of the American College of Clinical Pharmacology.

Les M. Taeger joined the Company as Senior Vice President and Chief Financial Officer on January 16, 2006. Mr. Taeger most recently served as Chief Financial Officer of CardioTech International, Inc. (currently AdvanSource Biomaterials Corporation) ("CardioTech"). CardioTech was a publicly-traded, medical device company that developed, manufactured and sold advanced products for the treatment of cardiovascular disease. From September 2000 to February 2004, when Mr. Taeger became Chief Financial Officer of CardioTech, Mr. Taeger served as Chief Financial Officer of Gish Biomedical, Inc. ("Gish"). Gish, which became a subsidiary of CardioTech pursuant to a merger transaction involving the companies in April 2003, specialized in the manufacture and sale of products used in open-heart surgery, vascular access and orthopedic surgery. Prior to his employment with CardioTech and Gish, Mr. Taeger was employed for over five years as Chief Financial Officer of Cartwright Electronics, Inc., a division of Meggitt, PLC. Mr. Taeger is a Certified Public Accountant, with a Bachelor's degree in accounting.

EXECUTIVE COMPENSATION

The Compensation Committee's Conclusion

The Compensation Committee, at its meeting held at the beginning of each fiscal year, formulates its recommendations regarding which compensation components will be adjusted for the upcoming year and what the performance bonus for the prior year will be.

Board Approval

At the first Compensation Committee meeting of the year, the Compensation Committee reviews the Executive Chairman's and other executive officers' compensation and bonuses and presents its recommendations to the Board of Directors. The final total compensation package decision regarding the Executive Chairman is made by the Independent Directors in an Executive Session without the Executive Chairman or other members of management present, and the final decisions on other executives' total compensation packages are made by the full Board of Directors.

The following discussion is provided to facilitate stockholder understanding of the named executive officer compensation information included in this Proxy Statement.

Officer and Key Consultant Compensation

On October 13, 2011, the Company's Board of Directors (the "Board") adopted a plan to preserve cash during ongoing partnering efforts. Included in the actions taken was the termination of the employment of John M. Holliman, III, Executive Chairman and Randolph C. Steer, MD, Ph.D., President. These individuals have continued as consultants, rather than as employees, at consulting rates which would equate to approximately $100,000 per year for Mr. Holliman and $120,000 per year for Dr. Steer. As employees, their base compensation had been $200,000 for Mr. Holliman and $325,000 for Dr. Steer. Les M. Taeger, Chief Financial Officer and Senior Vice President has continued as an employee, but his base compensation was reduced from $242,000 per year to $120,000 (increased to $135,000 for 2014) per year. All of these officers had also been eligible for an annual bonus based on individual and Company performance goals of up to 40% of their base compensation. The Board's actions included cancellation of the Company's bonus plan. The vested outstanding stock options held by each executive will continue to be exercisable while such executive is serving as a consultant to the Company.

Equity-Based Compensation

We provide a certain level of cash compensation to each executive as both a short-term reward and to focus executive performance on short-term goals that are part of our long-term strategies. Additionally, we use a combination of stock option grants and common stock awards to generate a commitment to, and a long-term investment in, our Company. Grants and awards were determined based on the position and competitive factors, as well as substantial compensation reductions effective October 31, 2011.

Stock Option Grants

In 2014, the Company granted options to employees to purchase 74,000 shares of the Company's Common Stock with the exercise price determined by the closing market price on the date of grant ($0.26 to $0.30) and an aggregate grant date fair value of $16,000. These grants included grants to the named executives (Holliman 32,000 shares, Steer 22,000 shares and Taeger 15,000 shares).

Common Stock Awards

The Company did not grant any common stock awards in 2014.

Fringe Benefits, Perquisites and Retirement Benefits.

Our executive employee participates in group health, dental, life, and disability programs on the same basis as other employees. No perquisites are provided to executives that in aggregate exceed $10,000 per year.

Joint Venture Bonus Plan

On August 9, 2012, our Board approved a performance-based incentive compensation plan (the "Plan") for our executive and consultants who were primarily responsible for identifying the investment opportunity for the development of Apo E mimetic peptide AEM-28 and its analogs, a class of Cardiovascular drugs targeting indications related to lowering blood cholesterol levels, completing the formation of the joint venture, LipimetiX Development, LLC (the "JV"), and who will participate in the management of the JV.

The Plan provides for a bonus pool, shared 40% by Mr. Holliman, 40% by Dr. Steer and 20% by Mr. Taeger, of 2.5% of the cash or in-kind distributions from the JV to the Company after the Company has received the return of its initial $6,000,000 investment. The individuals' interest in the bonus pool vested 50% upon Board approval of the Plan (August 9, 2012) and vested 50% upon the presentation by the JV to its Members of quantitative/qualitative safety and efficacy results from all protocol-designated endpoints of the AEM-28 Phase 1b/2a clinical trial. The bonuses are fully vested at December 31, 2014; however, no amounts have been earned as of December 31, 2014.

SUMMARY COMPENSATION TABLE

The following table sets forth, with respect to the years ended December 31, 2014, 2013 and 2012, compensation awarded to, earned by or paid to the Company's principal executive officer, principal financial officer and key consultant who were serving at the end of the last completed fiscal year (the "named executive officers").

Name	Year	Salary	Bonus	Stock Awards	Option Awards (1)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
		($)	($)	($)	($)	($)	($)	($)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
John M. Holliman, III, Executive Chairman (Principal Executive	2014	100,000	-	-	7,000	-	-	31,000(1)	138,000
	2013	100,000	-	-	7,000	-	-	41,000(1)	148,000
	2012	100,000	-	3,000	14,000	-	-	16,000(1)	133,000
Randolph C. Steer, MD, Ph.D., Consultant (former President)	2014	120,000	15,000	-	5,000	-	-	-	140,000
	2013	120,000	-	-	9,000	-	-	-	129,000
	2012	120,000	25,000	-	12,000	-	-	-	157,000
Les M. Taeger, Chief Financial Officer (Principal Financial Officer)	2014	135,000	-	-	3,000	-	-	-	138,000
	2013	120,000	-	-	6,000	-	-	-	126,000
	2012	120,000	25,000	-	8,000	-	-	-	153,000

(1) Mr. Holliman is a member of the Board of Directors and as a director, received compensation of $31,000, $41,000 and $16,000, in cash, in 2014, 2013 and 2012, respectively, and an annual grant of an option to purchase 10,000 shares of the Company's Common Stock. Mr. Holliman received total director's compensation (Board fees, stock awards and option grants) of $38,000, $48,000 and $20,000 in 2014, 2013 and 2012, respectively, as more fully described in the Compensation of Directors section of this Proxy Statement. Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described, for 2014, in Note 5 to the Financial Statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015, for 2013, in Note 5 to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 27, 2014 and for 2012, in Note 5 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2013.

OPTION GRANTS / STOCK AWARDS

The following table sets forth information about stock option grants and stock awards during the last completed fiscal year to the executive officers named in the Summary Compensation Table.

Grants of Plan-based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (1)
		(#)	#	($/Share)	($)
(a)	(b)	(i)	(j)	(k)	(l)
John M. Holliman, III	1/4/2014	-	10,000	0.26	2,000
Executive Chairman	2/6/2014	-	22,000	0.30	5,000
Randolph C. Steer, MD, PH.D. Consultant	2/6/2014	-	22,000	0.30	5,000
Les M. Taeger Chief Financial Officer	2/6/2014	-	15,000	0.30	3,000

(1) Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described in Note 5 to the Financial Statements included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 16, 2015.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name		Option Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
(a)		(b)	(c)	(e)	(f)
John M. Holliman		10,000	-	4.90	1/2/2016
		25,000	-	1.75	5/12/2016
		200,000	-	1.75	5/12/2016
		10,000	-	1.43	12/31/2017
		10,000	-	1.35	12/31/2018
		50,000	-	1.02	2/21/2018
		25,000	-	0.70	10/30/2018
		10,000	-	0.42	1/1/2019
		125,000	-	0.45	2/3/2019
		10,000	-	0.72	1/1/2020
		100,000		0.82	2/4/2020
		10,000	-	0.58	1/1/2021
		10,000	-	0.26	1/1/2022
		65,000	-	0.17	5/18/2022
		65,000	-	0.16	8/9/2022
		10,000	-	0.17	1/1/2023
		51,000	-	0.21	2/28/2023
		10,000	-	0.26	1/1/2024
	*	20,167	1,833	0.30	2/6/2024
Randolph C. Steer, MD, Ph.D.		200,000	-	1.75	5/12/2016
		50,000	-	1.53	5/21/2017
		50,000	-	1.02	2/21/2018
		75,000	-	0.45	2/3/2019
		50,000	-	0.82	2/4/2020
		50,000	-	0.67	1/17/2021
		65,000	-	0.17	5/18/2022
		65,000		0.16	8/9/2022
		51,000	-	0.21	2/28/2023
		10,000	-	0.35	10/25/2023
	*	20,167	1,833	0.3	2/6/2024
Les M. Taeger		150,000	-	5.15	1/16/2016
		150,000	-	1.70	6/2/2016
		14,706	-	1.02	2/21/2018
		50,000	-	0.45	2/3/2019
		35,000	-	0.82	2/4/2020
		25,000	-	0.67	1/17/2021
		45,000	-	0.17	5/18/2022
		45,000	-	0.16	8/9/2022
		29,000	-	0.21	2/28/2023
		10,000	-	0.35	10/25/2023
	*	13,750	1,250	0.30	2/6/2024

* Vest on 2/6/2015

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, AND CHANGE-IN-CONTROL ARRANGEMENTS

Effective April 5, 2006, Mr. John M. Holliman, III, became Executive Chairman and Principal Executive Officer. On May 12, 2006, the Company entered into an agreement to compensate Mr. Holliman for his services as the Company's Executive Chairman and principal executive officer (the "Holliman Agreement").

Effective October 31, 2011, the employment of Mr. Holliman was terminated, which resulted in the acceleration of the vesting of the options to purchase shares of the Company's common stock held by Mr. Holliman, so that his options became exercisable, and payment of his severance benefit. Subsequent to October 31, 2011, Mr. Holliman has continued his role as Executive Chairman under a consulting agreement, which provides for compensation at an annual rate of $100,000. Mr. Holliman did not receive a bonus in 2014.

Effective April 5, 2006, Randolph C. Steer, MD, Ph.D., became President of the Company. Dr. Steer has performed services for the Company since 2002. On May 12, 2006, the Company also entered into an agreement with Randolph C. Steer, MD, Ph.D., to compensate Dr. Steer for his services as the Company's President and Chief Operating Officer (the "Steer Agreement").

Effective October 31, 2011, the employment of Dr. Steer was terminated which resulted in the acceleration of the vesting of the options to purchase shares of the Company's common stock held by Dr. Steer, so that his options became exercisable, and payment of his severance benefits. Subsequent to October 31, 2011, Dr. Steer has continued to provide services under a consulting agreement, which provides for compensation at an annual rate of $120,000. Dr. Steer received a $15,000 bonus in 2014.

On January 10, 2006, the Company entered into an employment agreement with Les M. Taeger, dated as of January 10, 2006, effective as of January 16, 2006 (the "Taeger Employment Agreement"), pursuant to which Mr. Taeger serves as the Company's Senior Vice President / Chief Financial Officer. Under the Taeger Employment Agreement, Mr. Taeger may be terminated at any time, with or without cause, at the option of either the Company or Mr. Taeger. Mr. Taeger receives medical, dental and other fringe benefits generally granted to the Company's senior management.

Effective October 31, 2011, Mr. Taeger's annual base salary was reduced to $120,000 and the Company's bonus plan was terminated. Mr. Taeger did not receive a bonus in 2014. Mr. Taeger's salary for 2014 was increased to $135,000.

Under the Company's stock option plans, upon the occurrence of a merger in which the Company is not the surviving entity, a sale of substantially all of the assets of the Company, an acquisition by a third party of 100% of the Company's outstanding equity securities or a similar reorganization of the Company, 75% of all unvested options will vest, with the balance vesting equally over 12 months or according to the individual's vesting schedule, whichever is earlier. If the option holder loses his position with the Company as a result of the merger or sale, 100% of his options will immediately vest. Additionally, the Company's 1997 Stock Option Plan and 2005 Equity Incentive Plan provide that, upon a merger, consolidation or reorganization with another corporation in which the Company is not the surviving corporation, outstanding options shall be substituted on an equitable basis for options for appropriate shares of the surviving corporation, or optionees shall receive cash in exchange for cancellation of outstanding options.

At December 31, 2014, unvested options held by named executive officers had no intrinsic value and accelerated vesting clauses, if triggered at December 31, 2014, would have provided no additional compensation to the named executive officers.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The role of the Audit Committee (the "Audit Committee") is to assist the Board of Directors in its oversight of the Company's financial reporting process. Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, the Company's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accountant is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

Among other matters, the Audit Committee monitors and oversees the activities and performance of the external independent registered public accountant, including the audit scope, external audit fees, and auditor independence matters. The Audit Committee also is responsible for approving non-audit services proposed to be performed by the independent auditor. The Audit Committee has responsibility to appoint and dismiss the Company's independent auditor. Management and independent auditor presentations to and discussions with the Audit Committee also cover various topics and events that may have significant financial impact or are the subject of discussions between management and the independent auditor.

In the performance of its oversight function, the Audit Committee reviewed and discussed the audited financial statements with management and the independent registered public accountant. The Audit Committee has also discussed with the independent registered public accountant the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16. Finally, the Audit Committee has received the written disclosures and the letter from the independent registered public accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accountant the independent registered public accountant's independence. The Audit Committee met four times in 2013, each time meeting separately with the independent registered public accountant without the presence of management.

Based upon the above review and discussions described in this report, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the Securities and Exchange Commission.

Audit Committee:

Elwood D. Howse, Jr. (Chairman)
Eric W. Fangmann

The foregoing report of the Audit Committee of the Company's Board of Directors shall not be deemed soliciting material or otherwise deemed filed and shall not be subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any other filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate the Report by reference therein.

CODE OF ETHICS AND CORPORATE GOVERNANCE

The Company has adopted a code of ethics that applies to all of its employees and has particular sections that apply only to its principal executive officer and senior financial officers. The Company has posted the text of its code of ethics on its website (www.capstonethx.com), under the "Investors" section under the link "Corporate Governance" and "Code of Ethics." In addition, the Company will promptly disclose on its website (1) the nature of any amendment to its code of ethics that applies to its principal executive officer and senior financial officers, and (2) the nature of any waiver, including an implicit waiver, from a provision of its code of ethics that is granted to one of these specified officers, the name of such officer who is granted the waiver and the date of the waiver.

The full Board of Directors addresses all matters regarding corporate governance (that is, the relationships of the Board, the stockholders and management in determining the direction and performance of the Company) and the procedural rules regarding the operation of the Board itself. As such, the Board reviews all proposals submitted by stockholders for action at the annual stockholders' meeting with regards to each such proposal.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Board of Directors reviews transactions with related parties, but has no formal policies in place with respect to such reviews or the approval of such transactions. During 2014 there were no reported related party transactions with directors, executive officers or other related parties, which might have required disclosure under SEC rules or which were otherwise material to the Company.

The Company has entered into indemnity agreements with all of its directors, officers and key consultants for the indemnification of and advancing of expenses to such persons to the fullest extent permitted by law.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors, its executive officers and any persons holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the SEC. Specific due dates for these reports have been established, and the Company is required to disclose any failure to file by these dates. The Company believes that all of these filing requirements were satisfied during the year ended December 31, 2014, except that the Form 4 reporting on February 6, 2014 for stock option grants to Frederic J. Feldman, John M. Holliman, Elwood D. Howse, Randolph C. Steer and Les M. Taeger for 12,000, 22,000, 12,000, 22,000 and 15,000 shares respectively were not timely filed, but were filed on February 13, 2014.

In making these disclosures, the Company has relied solely on written representations of those persons it knows to be subject to the reporting requirements and copies of the reports that they have filed with the SEC.

A list of directors, executive officers and persons holding more than 10% of the Company's Common Stock is included in Item 12 under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Proxy Statement.

PROPOSAL 2: RATIFICATION AND APPROVAL OF CAPSTONE THERAPEUTICS CORP. 2015 EQUITY INCENTIVE PLAN.

Overview

Capstone's 2005 Equity Incentive Plan expired on April 15, 2015. As such, Capstone Therapeutics Corp. is proposing its 2015 Equity Incentive Plan (the "2015 Plan") to create a new pool of available securities for issuance to its employees, directors and appropriate third parties. The stated purposes of the 2015 Equity Incentive Plan are to attract and retain the best available employees and directors of the Company or any Subsidiary which now exists or hereafter is organized or acquired by the Company, as well as appropriate third parties who can provide valuable services to the Company, to provide additional incentive to such persons and to promote the success and growth of the Company. The Company currently has two employees and four non-employee members on its Board who may participate in the 2015 Plan. We also may provide grants to appropriate third parties in the future as provided in the 2015 Plan.

The 2015 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock shares and restricted stock units. A maximum of 1,000,000 shares may be issued under the 2015 Plan and no person may receive awards for more than 300,000 shares in any calendar year.

Vote Required for Plan

The 2015 Plan will be submitted to the stockholders for approval in order to satisfy applicable SEC and Internal Revenue Code requirements. Any awards granted prior to such stockholder approval shall be expressly conditioned upon such stockholder approval of the Plan. The affirmative vote of a majority of the votes cast is required to approve the 2015 Plan. The following is a summary of the material terms and provisions of the 2015 Plan. This summary is qualified in its entirety by reference to the complete text of the 2015 Plan, which is attached to this Proxy Statement as Appendix A.

Principal Features of the Equity Incentive Plan

The 2015 Plan will be administered by a committee (the "Committee") designated by the Company's Board of Directors. For purposes of the power to grant awards to Company directors, the Committee shall consist of the entire Board. For other 2015 Plan purposes, the 2015 Plan shall be administered by a committee designated by the Board to administer the 2015 Plan and shall initially be the Compensation Committee of the Board. The Committee may delegate some of its responsibilities and powers to any executive officer or officers of the Company selected by it.

Stock Options. Options may be incentive stock options ("ISOs") or non-qualified stock options ("NSOs"); provided, however, that incentive stock options may not be granted to directors or other non-employees. The exercise price for any option shall not be less than one hundred percent of the fair market value of the shares on the date of grant.

Each option grant will be evidenced by a stock option agreement containing the terms and conditions required by the 2015 Plan and such other terms as the Committee may deem appropriate in each case. Each stock option agreement shall state the period or periods of time within which an option may be exercised, as determined by the Committee. Options will have a maximum exercise term of ten years from the date of grant. The Committee does not have the authority to "reprice" options.

Stock Appreciation Rights. Stock Appreciation Rights ("SARs") provide a benefit that is measured by the appreciation in value of the Company's stock over a period of time. Each SAR grant will be evidenced by an agreement containing the terms and conditions required by the 2015 Plan and such other terms as the Committee may deem appropriate in each case. Upon the exercise of SARs, the Grantee (as defined in the 2015 Plan) will receive an amount determined by multiplying (1) the difference obtained by subtracting the value of Company stock on the grant date from the value of Company stock on the exercise date, by (2) the number of SARs exercised. The Committee may elect to pay the amount payable in cash, in shares of Company stock, or in some combination thereof.

Restricted Stock. Restricted Stock Awards may consist of shares issued subject to forfeiture if specified conditions are not satisfied ("Restricted Stock Shares") or agreements to issue shares of Common Stock in the future if specified conditions are satisfied ("Restricted Stock Units"). The Committee will determine the eligible persons to whom and the times at which restricted stock awards will be made, the number of shares to be awarded, the time or times within which such awards may be subject to forfeiture, and any other terms and conditions of the awards.

Grants of restricted stock may be conditioned upon the attainment of specified performance goals or other criteria determined by the Committee. Unless otherwise provided in the applicable agreement, the portion of the restricted stock award still subject to restriction will be forfeited by the Grantee upon termination of the Grantee's service for any reason. If and when the applicable restrictions lapse, unrestricted certificates for such shares will be delivered to the Grantee.

Change of Control. Upon a Change of Control (as defined in the 2015 Plan), 75% of the unvested Awards (as defined in the 2015 Plan) held by each Grantee shall automatically become vested. The balance of each Grantee's unvested Awards will vest in 12 equal monthly installments following the occurrence of a Change of Control, or according to the Grantee's individual vesting schedule, whichever is earlier. If a Grantee loses his position with the Company as a result of or subsequent to the occurrence of a Change of Control, 100% of the unexpired and unvested Awards granted pursuant to the 2015 Plan held by such Grantee shall automatically become vested upon such loss of position.

Amendment of the 2015 Plan. The Board may from time to time amend, modify, suspend or terminate the 2015 Plan; provided, however, that no such action shall (a) impair without the Grantee's consent any Award theretofore granted under the Plan or (b) be made without stockholder approval where such approval would be required as a condition of compliance with the Code or other applicable laws or regulatory requirements.

Certain Federal Income Tax Consequences of the 2015 Plan

The following is a brief summary of the principal income tax consequences under the Internal Revenue Code (the "Code") of awards made under the 2015 Plan.

Nonqualified Stock Options. A Grantee will not recognize taxable income at the time an NSO is granted. Upon exercise of the NSO, a Grantee will recognize compensation income in an amount equal to the difference between the exercise price and the fair market value of the shares on the date of exercise. The amount of such difference will be a deductible expense to the Company for tax purposes.

Incentive Stock Options. A Grantee, upon exercise of an ISO, will not recognize taxable income, if the Grantee complies with two separate holding periods: shares acquired upon exercise of an ISO must be held for at least two years after the date of grant and for at least one year after the date of exercise. The difference between the exercise price and the fair market value of the stock at the date of exercise is, however, a tax preference item. When the shares of stock received pursuant to the exercise of an ISO are sold or otherwise disposed of in a taxable transaction, the optionee will recognize a capital gain or loss, measured by the difference between the exercise price and the amount realized.

Ordinarily, an employer granting ISOs will not be allowed any business expense deduction with respect to stock issued upon exercise of an ISO. However, if all of the requirements for an ISO are met except for the holding period rules set forth above, the Grantee will be required, at the time of the disposition of the stock, to treat the lesser of the gain

realized or the difference between the exercise price and the fair market value of the stock at the date of exercise as ordinary income and the excess, if any, as capital gain. The Company will be allowed a corresponding business expense deduction to the extent of the amount of the Grantee's ordinary income.

Stock Appreciation Rights. A participant will not recognize taxable income upon the grant of an SAR. Upon the exercise of an SAR, the amount paid or the value of stock delivered to the Grantee will constitute compensation taxable to the Grantee as ordinary income. The Company is generally entitled to an income tax deduction for any compensation income taxed to the Grantee upon exercise of an SAR.

Restricted Stock Shares. A Grantee receiving a restricted stock award will generally recognize ordinary income in an amount equal to the fair market value of the stock at the time the stock is no longer subject to forfeiture. While the restrictions are in effect, the Grantee will recognize compensation income equal to the amount of any dividends received and the Company will be allowed a deduction for that amount. A Grantee may elect, under Section 83(b) of the Code, within 30 days of the stock grant to recognize taxable ordinary income on the date of grant equal to the fair market value of the shares (determined without regard to the restrictions) on such date. The Company will generally be entitled to a deduction equal to the amount that is taxable as ordinary income to the Grantee in the year that such income is taxable.

Restricted Stock Units. A Grantee who has been granted restricted stock units will not recognize taxable income until the applicable restriction has lapsed. The Grantee will then recognize taxable income equal to the fair market value of the shares delivered or the amount of cash paid. The Company is generally entitled to an income tax deduction for any compensation income taxed to the grantee.

The Board recommends a vote in favor of the ratification and approval of the Capstone Therapeutics Corp. 2015 Equity Incentive Plan.

EQUITY COMPENSATION PLANS

The following provides tabular disclosure of the number of securities to be issued upon the exercise of outstanding options, the weighted average exercise price of outstanding options, and the number of securities remaining available for future issuance under equity compensation plans as of December 31, 2014, aggregated into two categories - plans that have been approved by stockholders and plans that have not. See Note 5 to the Financial Statements included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 16, 2015, for additional information on our equity compensation plans.

Plan Category:	Number of securities to be issued upon exercise of outstanding options, warrants and rights (c)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity Compensation Plans approved by Security Holders	3,022,706	$1.06	495,519
Equity Compensation Plans not approved by Security Holders	N/A	N/A	N/A
Total	3,022,706	$1.06	495,519

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Officers, directors and employees of the Company have an interest in a matter being presented for stockholder approval. Stockholder approval of the Capstone Therapeutics Corp. 2015 Equity Incentive Plan is required in order to grant officers, directors and employees of the Company securities under such Plan and is being presented as Proposal No. 2 in this Proxy Statement.

PROPOSAL 3: APPROVAL OF AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The stockholders are being asked to approve an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Restated Certificate") to increase the number of authorized shares of Common Stock from 100,000,000 to150,000,000. In April 2015, the Company's Board of Directors adopted resolutions approving and authorizing the amendment and directing that the amendment be submitted to a vote of the stockholders at the 2015 Annual Meeting. The Board determined that the amendment is in the best interests of the Company and its stockholders and unanimously recommends approval by the stockholders. If the proposed amendment is approved by the stockholders, the Board currently intends to file with the Secretary of State of the State of Delaware a Second Amended and Restated Certificate of Incorporation reflecting such amendment as soon as practicable following stockholder approval. The following summary is qualified in its entirety by reference to a Second Amended and Restated Certificate of Incorporation of Capstone Therapeutics Corp., which contains the proposed amendment and is attached as Appendix B to this Proxy Statement.

The Restated Certificate currently authorizes the issuance of up to 102,000,000 shares of stock, of which 100,000,000 shares are designated as Common Stock, par value $.0005 per share, and 2,000,000 shares are designated as Preferred Stock, par value $.0005 per share. The proposed amendment will not, if adopted, result in an increase in the number of authorized shares of Preferred Stock. Of the 100,000,000 authorized shares of Common Stock currently authorized, as of the close of business on April 30, 2015, there were 40,885,411 shares of the Company's Common Stock issued and outstanding. In addition, the Company has reserved 1,000,000 shares of Common Stock for issuance pursuant to the Company's 2015 Equity Incentive Plan. Currently, the Company has 3,186,706 shares reserved for issuance under its 2005 Equity Incentive Plan. This plan expired on April 15, 2015, and therefore no additional reservations are necessary under this plan. No shares of Preferred Stock are issued and outstanding.

The Board of Directors has proposed this increase in authorized common shares to ensure that the Company has sufficient common shares available for corporate purposes including, without limitation, effecting equity or equity-linked financings and acquisitions, establishing strategic relationships with corporate and other partners, providing equity incentives to employees, and funding stock dividends, stock splits or other recapitalizations. In particular, the Company believes that in order to continue development activities of its technologies, including AEM-28 and AEM-28-02, the Company will need additional funding in the future. This funding may be obtained through, among other alternatives, public or private issuance of equity or equity-linked debt. In order to be positioned to timely take full advantage of market and other conditions suitable for equity related financings, the Board of Directors believes the Company must increase the number of its authorized Common Stock. As of the date of this Proxy Statement, the company has not entered into any agreement to issue additional equity in the near future, but the Company is currently evaluating available funding alternatives to fund development of its technologies, including through the issuance of new equity. Any decision to issue equity, including any equity authorized by the proposed increase in authorized Common Stock, will depend on, among other things, the Company's evaluation of its funding needs, developments in its business and technologies, current and expected future market conditions and other factors.

As is the case with the current authorized but unissued Common Stock, the additional Common Stock authorized by this proposed amendment could be issued upon approval by the Board of Directors, without further vote of the stockholders of the Company except as may be required in particular cases by the Company's Restated Certificate of Incorporation, applicable law, or regulatory agencies. Under the Company's Restated Certificate, stockholders do not have preemptive rights to subscribe to additional securities that may be issued by the Company, which means that current stockholders do not have a prior right to purchase any new issue of Common Stock in order to maintain their proportionate ownership interest in the Company. In addition, if the Company issues additional shares of Common Stock or securities convertible into or exercisable for Common Stock, such issuance would have a dilutive effect on the voting power and could have a dilutive effect on future earnings per share, if any, of the Company's currently outstanding Common Stock.

The proposed amendment to the Restated Certificate could also, under certain circumstances, have an anti-takeover effect. The proposed increase in the number of authorized shares of Common Stock may discourage or make it more difficult to effect a change in control of the Company. For example, the Company could issue additional shares to dilute the voting power of, create voting impediments for, or otherwise frustrate the efforts of, persons seeking to take over or gain control of the Company, whether or not the change in control is favored by a majority of the Company's unaffiliated stockholders. The Company could also privately place shares of Common Stock with purchasers who would side with the Board in opposing a hostile takeover bid. The Board is not aware of any plans for or attempt to take control of the Company.

If approved, the amendment would amend and restate the first paragraph of Section 5 of the Restated Certificate as follows:

> "Authorized Capital. The total number of shares of stock which the Corporation shall have the authority to issue is 152,000,000 shares, consisting of 150,000,000 shares of common stock having a par value of $.0005 per share (the "Common Stock") and 2,000,000 shares of preferred stock having a par value of $.0005 per share (the "Preferred Stock")."

The proposed Second Amended and Restated Certificate of Incorporation of Capstone Therapeutics Corp., which contains the above amendment, is attached to this Proxy Statement as Appendix B.

The Board of Directors Unanimously Recommends That You Vote "For" the Proposed Amendment to the Amended and Restated Certificate of Incorporation.

PROPOSAL 4: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM – MOSS ADAMS LLP

The Board of Directors is submitting the selection of the independent registered public accounting firm for the year ending December 31, 2015, for stockholder ratification at our 2015 Annual Meeting and recommends that stockholders vote FOR ratification of such appointment.

In the event the stockholders fail to ratify the appointment, the Audit Committee will consider it a direction to consider other accounting firms for the subsequent year. Moss Adams LLP representatives are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF MOSS ADAMS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2015 FISCAL YEAR.

PRINCIPAL ACCOUNTING FIRM FEES

The following table sets forth the aggregate fees billed to the Company for the years ended December 31, 2014 and December 31, 2013 by our principal accounting firm Moss Adams LLP.

Type of Fee	Amount	
	2014	2013
Audit Fees (1)	$ 99,000	$ 111,000
Audit-Related Fees (2)	4,000	-
Total Audit and Audit-Related Fees	103,000	111,000
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total Fees	$ 103,000	$ 111,000

(1) Audit fees include fees for services rendered in connection with the audits of the Company's financial statements for the fiscal years ended December 31, 2014 and 2013, and reviews of the financial statements included in the Company's quarterly reports on Form 10-Q during the applicable fiscal year.

(2) Audit-related fees would include fees for services rendered for matters such as a business combination, sales of shares of the Company's common stock, and responses to accounting and reporting-related matters.

(3) Tax fees would include fees for services rendered for tax compliance, preparation of original and amended tax returns, claims for refunds and other tax services.

(4) Our principal accounting firms did not perform nor bill the Company for any other services during the fiscal years ended December 31, 2014 and 2013 that are appropriately classified as "All Other Fees."

The Audit Committee has concluded that the services provided by the principal accounting firm that were not related to the audit of the Company's financial statements were at all times compatible with maintaining that firm's independence.

Consistent with the rules of the Securities and Exchange Commission regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation for, and overseeing the work of, the independent auditor. In recognition of this responsibility, the Audit Committee has included in its charter the responsibility to pre-approve "all auditing services and permitted non-auditing services proposed to be performed by the independent auditor, subject to the de minimis exceptions for non-audit services that were not recognized as non-audit services at the time of engagement and which are subsequently approved by the committee prior to completion of the audit." No fees were paid to the independent auditor pursuant to the "de minimis" exception to the foregoing pre-approval policy in 2014.

OTHER MATTERS

The Company knows of no other matters to be submitted at the Annual Meeting. If any other matter properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board of Directors may recommend.

STOCKHOLDER PROPOSALS

Proposals of stockholders of the Company which are intended to be presented by such stockholders at the Company's Annual Meeting for the fiscal year ending December 31, 2015 must be received by the Company no later than February 17, 2016 in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting. Additionally, if a stockholder wishes to present to the Company an item for consideration as an agenda item for a meeting without inclusion in the proxy statement, he, she or it must timely give notice to the Secretary and give a brief description of the business desired to be discussed. To be timely for next year's Annual Meeting, our bylaws require that such notice must have been delivered to or mailed to and received by the Company between 60 and 90 days prior to that Annual Meeting. If we do not publicly announce our meeting date or give notice of our meeting date at least 70 days before next year's Annual Meeting, stockholders may submit items for consideration as agenda items until 5:00 pm on the 15th day after the public disclosure or notice.

ANNUAL REPORT

The Annual Report to Stockholders is not a part of the proxy soliciting material enclosed herewith. The Proxy Statement and Form of Proxy, as well as the Company's Annual Report on Form 10-K, are available on the Company's website **www.capstonethx.com**. Upon the written request of any stockholder entitled to vote at the Annual Meeting, the Company will furnish, without charge, a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission. Copies of exhibits to the Annual Report on Form 10-K are also available upon specific request and payment of 25 cents per page for reproduction plus $3.00 for postage and handling. All requests should be directed to the Secretary of the Company at 1275 West Washington Street, Suite 104, Tempe, Arizona 85281.

HOUSEHOLDING

We have adopted the "householding" procedure approved by the Securities and Exchange Commission that allows the Company to deliver one Proxy Statement and Annual Report to a household of stockholders instead of delivering a set of documents to each stockholder in the household. This procedure is more cost effective because it reduces the number of materials to be printed and mailed. If they have elected, stockholders who share the same last name and address will receive one Proxy Statement and Annual Report per address unless the Company receives, or has previously received, contrary instructions. Stockholders will continue to receive separate proxy cards/voting instruction forms to vote their shares.

If you would like to receive a separate copy of the Proxy Statement and Annual Report for this year, please write or call the Company at the following address or telephone number: Capstone Therapeutics Corp.,

Corporate Secretary, 1275 West Washington Street, Suite 104, Tempe, Arizona 85281; (800) 937-5520. Upon receipt of your request, the Company will promptly deliver the requested materials to you.

If you and other Capstone stockholders of record with whom you share an address currently receive multiple sets of the Proxy Statement and Annual Report, and you would like to receive only a single copy of each in the future, or if you and other Capstone stockholders of record with whom you share an address currently receive a single copy of the Proxy Statement and Annual Report, and you would like to receive a separate copy of each in the future, please contact our distribution agent, Broadridge, by calling (800) 542-1061 or writing to Broadridge, Attention Householding Department, 51 Mercedes Way, Edgewood, NY 11717. If you hold your shares in street name (that is, through a bank, brokerage account or other record holder), please contact your bank, broker or the other record holder to request information about householding.

May 8, 2015 THE BOARD OF DIRECTORS

CAPSTONE THERAPEUTICS CORP.
2015 EQUITY INCENTIVE PLAN

INTRODUCTION.

Purpose. This plan shall be known as the Capstone Therapeutics Corp. 2015 Equity Incentive Plan (the "Plan"). The purposes of the 2015 Equity Incentive Plan are to attract and retain the best available employees and directors of the Company or any Subsidiary which now exists or hereafter is organized or acquired by the Company, as well as appropriate third parties who can provide valuable services to the Company, to provide additional incentive to such persons and to promote the success and growth of the Company. These purposes may be achieved through the grant of options to purchase Common Stock of Capstone Therapeutics Corp., the grant of Stock Appreciation Rights and the grant of Restricted Stock, as described below.

Effective Date. The effective date of the Plan shall be June 19, 2015 (the "Effective Date"), subject to the approval of the Plan by shareholders of the Company at the 2015 annual meeting. Any Awards granted prior to such stockholder approval shall be expressly conditioned upon such stockholder approval of the Plan.

Successor Plan. This Plan will replace the Company's 2005 Equity Incentive Plan (the "2005 Plan"). All outstanding awards under the 2005 Plan immediately prior to the Effective Date of this Plan shall continue to be governed by their applicable terms and conditions.

DEFINITIONS.

"Award" means an Incentive Stock Option, Non-Qualified Stock Option, Stock Appreciation Right or Restricted Stock grant, as appropriate.

"Award Agreement"or "Agreement" means the agreement between the Company and the Grantee specifying the terms and conditions as described thereunder. The Company may provide for the use of electronic, Internet or other non-paper Award Agreements, and the use of electronic, Internet or other non-paper means for the acceptance thereof and actions thereunder by a Grantee.

"Board" means the Board of Directors of Capstone Therapeutics Corp.

"Change of Control" shall be defined as a change in ownership or control of the Company effected through any of the following transactions: (a) a statutory share exchange, merger, consolidation or reorganization approved by the Company's stockholders, unless securities representing more than 50% of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction; (b) any stockholder approved transfer or other disposition of all or substantially all of the Company's assets (whether held directly or indirectly through one or more controlled Subsidiaries) except to or with a wholly-owned Subsidiary of the Company); or (c) the acquisition, directly or indirectly by any person or related group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to transactions with the Company's stockholders.

"Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"Committee" means the committee described in Article 4 or the person or persons to whom the committee has delegated its power and responsibilities under Article 4.

"Common Stock" or "Stock" means the common stock of the Company having a par value of $.0005 per share.

"Company" means Capstone Therapeutics Corp., a Delaware corporation.

"Fair Market Value" means, as applied to a specific date, the price of a share of Common Stock that is based on the opening, closing, actual, high, low or average selling prices of a share reported on any established stock exchange or

national market system including without limitation the New York Stock Exchange and the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Unless otherwise specified in an Award Agreement, Fair Market Value shall be deemed to be equal to (i) the reported closing price of such stock on the New York Stock Exchange or other established stock exchange or Nasdaq National Market on such date, or if no sale of such stock shall have been made on that date, on the preceding date on which there was such a sale, (ii) if such stock is not then listed on an exchange or the Nasdaq National Market, the last trade price per share for such stock in the over-the-counter market as quoted on Nasdaq or the pink sheets or successor publication of the National Quotation Bureau on such date, or (iii) if such stock is not then listed or quoted as referenced above, an amount determined in good faith by the Board or the Committee.

"Grant Date" means the date on which an Award is deemed granted, which shall be the date on which the Committee authorizes the Award or such later date as the Committee shall determine in its sole discretion.

"Grantee" means an individual who has been granted an Award.

"Incentive Stock Option" or "ISO" means an option that is intended to meet the requirements of Section 422 of the Code and regulations thereunder.

"Non-Qualified Stock Option" or "NSO" means an option other than an Incentive Stock Option.

"Option" means an Incentive Stock Option or Non-Qualified Stock Option, as appropriate.

"Performance Goal" means a performance goal established by the Committee prior to the grant of any Award of Restricted Stock that is based on the attainment of goals relating to one or more operating or business criteria, measured on an absolute basis or in terms of growth or reduction related to the Company's objective to successfully develop synthetic therapeutics for unmet medical needs. (Planned performance goals are confidential and, accordingly, not described herein).

"Plan" means the Capstone Therapeutics Corp. 2015 Equity Incentive Plan as set forth herein, as it may be amended from time to time.

"Restricted Stock" means shares or units of Common Stock which are subject to restrictions established by the Committee.

"Stock Appreciation Right" or "SAR" means the right to receive cash or shares of Common Stock based upon the excess of the Fair Market Value of one share of Common Stock on the date the SAR is exercised over the Fair Market Value of one share of Common Stock on the Grant Date.

"Subsidiary" means any corporation in which the Company or another entity qualifying as a Subsidiary within this definition owns 50% or more of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company or another entity qualifying as a Subsidiary within this definition owns 50% or more of the combined equity thereof.

SHARES SUBJECT TO AWARD.

Available Shares. The number of shares of Common Stock of the Company which may be issued under the Plan shall not exceed 1,000,000 shares, all of which may be issued pursuant to the exercise of Incentive Stock Options. No individual can be granted Awards covering, in the aggregate, more than 300,000 shares of Common Stock in any calendar year. Shares issued under the Plan may come from authorized but unissued shares, from treasury shares held by the Company, from shares purchased by the Company on an open market for such purpose, or from any combination of the foregoing. If any Award granted under this Plan is canceled, terminates, expires, or lapses for any reason, any shares subject to such Award again shall be available for the grant of an Award under the Plan.

Changes in Common Stock. If any stock dividend is declared upon the Company Stock, or if there is any stock split, stock distribution, or other recapitalization of the Company with respect to the Common Stock, resulting in a split or combination or exchange of shares, the Committee shall make or provide for such adjustment in the number of and class of shares which may be delivered under the Plan, and in the number and class of and/or price of shares subject to outstanding Awards as it may, in its discretion, deem to be equitable.

ADMINISTRATION

Administration by the Committee. For purposes of the power to grant Awards to Company directors, the Committee shall consist of the entire Board. For other Plan purposes, the Plan shall be administered by a committee designated by the Board to administer the Plan and shall initially be the Compensation Committee of the Board. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by a vote at a meeting held either in person or by conference telephone call, or the unanimous consent of all members in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

Committee Powers. The Committee is empowered to adopt such rules, regulations and procedures and take such other action as it shall deem necessary or proper for the administration of the Plan. The Committee shall also have authority to interpret the Plan, and the decision of the Committee on any questions concerning the interpretation of the Plan shall be final and conclusive. The Committee may consult with counsel, who may be counsel for the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel. Subject to the provisions of the Plan, the Committee shall have full and final authority to:

designate the persons to whom Awards shall be granted;

grant Awards in such form and amount as the Committee shall determine;

impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate;

waive in whole or in part any limitations, restrictions or conditions imposed upon any such Award as the Committee shall deem appropriate; and

modify, extend or renew any Award previously granted, provided that this provision shall not provide authority to reprice Awards to a lower exercise price.

Delegation by Committee. The Committee may delegate all or any part of its responsibilities and powers to any executive officer or officers of the Company selected by it. Any such delegation may be revoked by the Board or by the Committee at any time.

STOCK OPTIONS.

Granting of Stock Options. Options may be granted to directors, officers and key employees of the Company and any of its Subsidiaries, as well as appropriate third parties who can provide valuable services to the Company. In selecting the individuals to whom Options shall be granted, as well as in determining the number of Options granted, the Committee shall take into consideration such factors as it deems relevant pursuant to accomplishing the purposes of the Plan. A Grantee may, if he is otherwise eligible, be granted an additional Option or Options if the Committee shall so determine. Option grants under the Plan shall be evidenced by agreements in such form and containing such provisions as are consistent with the Plan as the Committee shall from time to time approve.

Type of Option. At the time each Option is granted, the Committee shall designate the Option as an Incentive Stock Option or a Non-Qualified Stock Option. Any Option designated as an Incentive Stock Option shall comply with the requirements of Section 422 of the Code, including the requirement that incentive stock options may only be granted to individuals who are employed by the Company, a parent or a Subsidiary corporation of the Company. If required by applicable tax rules regarding a particular grant, to the extent that the aggregate fair market value (determined as of the date an Incentive Stock Option is granted) of the shares with respect to which an Incentive Stock Option grant under this Plan (when aggregated, if appropriate, with shares subject to other Incentive Stock Option grants made before said grant under this Plan or another plan maintained by the Company or any ISO Group member) is exercisable for the first time by an optionee during any calendar year exceeds $100,000 (or such other limit as is prescribed by the Code), such option grant shall be treated as a grant of Nonqualified Stock Options pursuant to Code Section 422(d).

Option Terms. Each option grant agreement shall specify the number of Incentive Stock Options and/or Nonqualified Stock Options being granted; one option shall be deemed granted for each share of stock. In addition, each option grant agreement shall specify the exercisability and/or vesting schedule of such options, if any.

Purchase Price. The purchase price of the Common Stock covered by each Option shall be not less than the Fair Market Value of such Stock on the Grant Date. Such price shall be subject to adjustment as provided in Article X hereof. The purchase price for a share subject to Option shall not be less than 100% of the Fair Market Value of the share on the date the option is granted, provided, however, the option price of an Incentive Stock Option shall not be less than 110% of the fair market value of such share on the date the option is granted to an individual then owning (after the application of the family and other attribution rules of Section 424(d) or any successor rule of the Code) more than 10% of the total combined voting power of all classes of stock of the Company.

Method of Exercise. An Option that has become exercisable may be exercised from time to time by written notice to the Company stating the number of shares being purchased and accompanied by the payment in full of the Option price for such shares. The purchase price may be paid by any of the following methods: (a) by cash, (b) by check, (c) with the approval of the Committee, or if the applicable Award Agreement so provides, by delivering shares ("Delivered Stock"), (d) with the approval of the Committee, or if the applicable Award Agreement so provides, by surrendering to the Company shares otherwise receivable upon exercise of the Stock Option (a "Net Exercise"), or (e) any combination of the foregoing. For purposes of the foregoing, Delivered Stock and shares used in a Net Exercise shall be valued at their Fair Market Value determined as of the date of exercise of the Option. Notwithstanding the foregoing, the Company may arrange for or cooperate in permitting broker-assisted cashless exercise procedures.

Shareholder Rights. A Grantee shall not, by reason of any Options granted hereunder, have any right of a shareholder of the Company with respect to the shares covered by Options until shares of Stock have been issued.

STOCK APPRECIATION RIGHTS.

Granting of SARs. The Committee may, in its discretion, grant SARs to directors, officers and key employees of the Company and any of its Subsidiaries, as well as appropriate third parties who can provide valuable services to the Company. SAR grants under the Plan shall be evidenced by agreements in such form and containing such provisions as are consistent with the Plan as the Committee shall from time to time approve.

Method of Exercise. An SAR that has become exercisable may be exercised by written notice to the Company stating the number of SARs being exercised.

Payment upon Exercise. Upon the exercise of SARs, the Grantee shall be entitled to receive an amount determined by multiplying (a) the difference obtained by subtracting the Fair Market Value of a share of Common Stock as of the Grant Date of the SAR from the Fair Market Value of a share of Common Stock on the date of exercise, by (b) the number of SARs exercised. At the discretion of the Committee, the payment upon the exercise of the SARs may be in cash, in shares of Common Stock of equivalent value, or in some combination thereof. The number of available shares under Section 3.01 shall only be reduced by shares of Common Stock issued upon exercise of an SAR and shall not be affected by any cash payments.

EFFECT OF TERMINATION OF EMPLOYMENT, DISABILITY OR DEATH.

Incentive Stock Options. Unless otherwise provided herein or in a specific Option Agreement which may provide longer or shorter periods of exercisability, no ISO shall be exercisable after the expiration of the earliest of:

10 years from the date the option is granted, or five years from the date the option is granted to an individual owning (after the application of the family and other attribution rules of Section 424(d) of the Code) at the time such option was granted, more than 10% of the total combined voting power of all classes of stock of the Company,

three months after the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is for any reason other than death, disability (within the meaning of Code Section 22(e)(3)), or cause,

one year after the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is by reason of death or disability (within the meaning of Code Section 22(e)(3)), or

the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is for cause, as determined by the Board or the Committee in its sole discretion;

Non-Qualified Stock Options and SARs. Unless otherwise provided herein or in a specific NSO or SAR Agreement which may provide longer or shorter periods of exercisability, no NSO or SAR shall be exercisable after the expiration of the earliest of:

10 years from the date of grant,

two years after the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is for any reason other than death, permanent disability, retirement or cause,

three years after the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is by reason of the Grantee's death, permanent disability or retirement; or

the date the Grantee ceases to perform services for the Company or its Subsidiaries, if such cessation is for cause, as determined by the Board or the Committee in its sole discretion;

ISOs, NSOs and SARs. Unless otherwise provided in a specific grant agreement or determined by the Committee, an Option or SAR shall only be exercisable for the periods above following the date a Grantee ceases to perform services to the extent the option was exercisable on the date of such cessation.

RESTRICTED STOCK AWARDS.

Granting of Restricted Stock. The Committee may, in its discretion, grant Restricted Stock to directors, officers and key employees of the Company and any of its Subsidiaries, as well as appropriate third parties who can provide valuable services to the Company. Restricted Stock Awards may consist of shares issued subject to forfeiture if specified conditions are not satisfied ("Restricted Stock Shares") or agreements to issue shares of Common Stock in the future if specified conditions are satisfied ("Restricted Stock Units").

Terms of Restricted Stock Grants. Each Restricted Stock Award shall be confirmed by, and be subject to the terms of, an agreement identifying the restrictions applicable to the Award. Restricted Stock Awards shall be subject to the following terms and conditions:

The Committee may condition the grant of Restricted Stock upon the attainment of Performance Goals so that the grant qualifies as "performance-based compensation" within the meaning of Section 162(m) of the Code. The Committee may also condition the grant of Restricted Stock upon such other conditions, restrictions and contingencies as the Committee may determine.

Except to the extent otherwise provided in the applicable Award Agreement and (c) below, the portion of the Restricted Stock Award still subject to restriction shall be forfeited by the Grantee upon termination of the Grantee's service for any reason.

In the event of hardship or other special circumstances of a Grantee, the Committee may waive in whole or in part any or all remaining restrictions with respect to such Grantee's Restricted Stock Award.

If and when the applicable restrictions lapse, unlegended certificates for such shares shall be delivered to the Grantee.

Shareholder Rights. A Grantee receiving an Award of Restricted Stock Shares shall have all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any cash dividends. Unless otherwise determined by the Committee, cash dividends shall be paid in cash and dividends payable in stock shall be paid in the form of additional Restricted Stock Shares. A Grantee receiving an Award of Restricted Stock Units shall not be deemed the holder of any shares covered by the Award, or have any rights as a shareholder with respect thereto, until such shares are issued to him/her.

ACCELERATION OF EXERCISABILITY AND VESTING UNDER CERTAIN CIRCUMSTANCES.

Upon a Change in Control. Notwithstanding any provision in the Plan to the contrary, unless the particular letter of grant provides otherwise, 75% of the unvested Awards held by each Grantee shall automatically become vested upon the occurrence, before the expiration or termination of such option, of a Change in Control.

Balance of Awards. The balance of each Grantee's unvested Awards will vest exercisable in 12 equal monthly installments following the occurrence of a Change in Control, or according to the Grantee's individual vesting schedule as applicable without regard to this Article X, whichever is earlier. If a Grantee loses his position with the Company as a result of or subsequent to the occurrence of a Change in Control, 100% of the unexpired and unvested Awards granted pursuant to this Plan held by such optionee shall automatically become vested upon such loss of position.

EFFECT OF CHANGE IN STOCK SUBJECT TO PLAN.

Merger, Consolidation or Reorganization. In the event of a merger, consolidation or reorganization with another corporation in which the Company is not the surviving corporation or a merger, consolidation or reorganization involving the Company in which the Company Stock ceases to be publicly traded, the Committee shall, subject to the approval of the Board of Directors of the Company, or the board of directors of any corporation assuming the obligations of the Company hereunder, take action regarding each outstanding and unexercised option pursuant to either clause (a) or (b) below:

Appropriate provision may be made for the protection of such Award by the substitution on an equitable basis of appropriate shares of the surviving or related corporation, provided that the excess of the aggregate Fair Market Value of the shares subject to such Award immediately before such substitution over the exercise price thereof is not more than the excess of the aggregate fair market value of the substituted shares made subject to option immediately after such substitution over the exercise price thereof; or

The Committee may cancel such Award. In the event any Option or SAR is canceled, the Company, or the corporation assuming the obligations of the Company hereunder, shall pay the Grantee an amount of cash (less normal withholding taxes) equal to the excess of the highest Fair Market Value per share of the Stock during the 60-day period immediately preceding the merger, consolidation or reorganization over the exercise price, multiplied by the number of shares subject to such Award. In the event any other Award is canceled, the Company, or the corporation assuming the obligations of the Company hereunder, shall pay the Grantee an amount of cash or stock, as determined by the Committee, based upon the highest Fair Market Value per share of the Stock during the 60-day period immediately preceding the cancellation.

Notwithstanding anything to the contrary, in the event a Change in Control should occur, the Committee shall have the right to cancel such Awards and pay the Grantee an amount determined under (b) above.

MISCELLANEOUS.

Withholding. The Company shall have the power and the right to deduct or withhold, or require a Grantee to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising or as a result of this Plan. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, Grantees may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction.

No Employment or Retention Agreement Intended. Neither the establishment of, nor the awarding of Awards under this Plan shall be construed to create a contract of employment or service between any Grantee and the Company or its Subsidiaries; nor does it give any Grantee the right to continued service in any capacity with the Company or its Subsidiaries or limit in any way the right of the Company or its Subsidiaries to discharge any Grantee at any time and without notice, with or without cause, or to any benefits not specifically provided by this Plan, or in any manner modify the Company's right to establish, modify, amend or terminate any profit sharing or retirement plans.

Non-transferability of Awards. Any Award granted hereunder shall, by its terms, be non-transferable by a Grantee other than by will or the laws of descent and shall be exercisable during the Grantee's lifetime solely by the Grantee or the Grantee's duly appointed guardian or personal representative. Notwithstanding the foregoing, the Committee may permit a Grantee to transfer a Non-Qualified Stock Option or SAR to a family member or a trust or partnership for the benefit of a family member, in accordance with rules established by the Committee.

Investment Representation. Unless the shares of stock covered by the Plan have been registered with the Securities and Exchange Commission pursuant to Section 5 of the Securities Act of 1933, as amended, each Grantee by accepting an Award represents and agrees, for himself or herself and his or her transferees by will or the laws of descent and distribution, that all shares of stock purchased upon the exercise of the option grant will be acquired for investment and not for resale or distribution. Upon such exercise of any portion of any option grant, the person entitled to exercise the same shall upon request of the Company furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares of stock are being acquired in good faith for investment and not for resale or distribution. Furthermore, the Company may if it deems appropriate affix a legend to certificates representing shares of stock that such shares have not been registered with the Securities and Exchange Commission and may so notify its transfer agent.

Dissolution or Liquidation. Upon the dissolution or liquidation of the Company, any outstanding Awards theretofore granted under this Plan shall be deemed canceled.

Controlling Law. The law of the State of Delaware, except its law with respect to choice of law, shall be controlling in all matters relating to the Plan.

Clawback. The Awards granted under this Plan are subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of Awards or any shares or other cash or property received with respect to the Awards (including any value received from a disposition of the shares acquired upon payment of the Awards).

Section 409A Compliance. To the extent applicable, it is intended that the Plan and all Awards hereunder comply with the requirements of Section 409A of the Code, and the Plan and all Agreements shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A of the Code. In the event that any provision of the Plan or an Agreement is determined by the Committee to not comply with the applicable requirements of Section 409A of the Code, the Committee shall have the authority to take such actions and to make such changes to the Plan or an Agreement as the Committee deems necessary to comply with such requirements, provided that no such action shall adversely affect any outstanding Award without the consent of the affected Participant.

Termination and Amendment of the Plan. The Plan will expire ten (10) years after the Effective Date, solely with respect to the granting of Incentive Stock Options or such later date as may be permitted by the Code for Incentive Stock Options. The Board may from time to time amend, modify, suspend or terminate the Plan; provided, however, that no such action shall (a) impair without the Grantee's consent any Award theretofore granted under the Plan or (b) be made without shareholder approval where such approval would be required as a condition of compliance with the Code or other applicable laws or regulatory requirements.

SECOND AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

CAPSTONE THERAPEUTICS CORP.

As amended through _____

1. Name. The name of the corporation is:

Capstone Therapeutics Corp. (the "Corporation")

2. Registered Agent. The name and address of the initial registered office and registered agent of the Corporation is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

3. Purpose. The purpose for which this Corporation is organized is the transaction of any or all lawful activity for which corporations may be organized under the General Corporation Law of Delaware, as it may be amended from time to time.

4. Election of Directors. Elections of directors at an annual or special meeting of stockholders shall be by written ballot unless the Bylaws of the Corporation shall otherwise provide. Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the Bylaws of the Corporation.

5. Authorized Capital. The total number of shares of stock which the Corporation shall have authority to issue is 152,000,000 shares, consisting of 150,000,000 shares of common stock having a par value of $.0005 per share (the "Common Stock") and 2,000,000 shares of preferred stock having a par value of $.0005 per share (the "Preferred Stock").

The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of Article 5, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative rights, preferences and limitations of that series.

5A. Common Stock Put Right.

(a) Definitions. For purposes of this Article 5A, the following terms shall have the following meanings:

(1) "Available Cash" means Net Liquid Assets less Commitments and Contingencies, each calculated as of the Record Date.

(2) "Change of Control Transaction" means the occurrence of any of the following:

(a) any "person" or "group" (as such terms are defined in Section 13(d) and Section 14(d) of the Securities Exchange Act of 1934, as amended, or any successor provisions (the "Exchange Act")) becomes the "beneficial owner" (as determined in accordance with Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of voting securities of the Corporation representing 50% or more of the total voting power of all outstanding voting securities of the Corporation;

(b) the sale, lease, license, exchange or other transfer (in one or a series of transactions) of all or substantially all of the assets of the Corporation; or

(c) any merger, consolidation, share exchange, business combination or similar transaction in which the Corporation is not the surviving entity or in which the holders of the outstanding shares of stock of the Corporation immediately prior to such transaction hold, immediately after such transaction, less than 51% of the total voting power of the outstanding securities of the surviving or resulting entity in such transaction.

(3) "Commencement Date" means the date specified by the Corporation as the first date on which the Put Rights may be exercised, as set forth in the Put Notice.

(4) "Commitments and Contingencies" means the amount of funds necessary to satisfy all obligations and liabilities of the Corporation, including contingent obligations and liabilities, which are then outstanding or would arise if the Corporation was liquidated, as determined by the Board of Directors in its sole and absolute discretion.

(5) "Depositary" means the bank or trust company having combined capital, surplus and undivided profits of at least $500,000,000 which is appointed by the Corporation to serve as agent for the purpose of receiving certificates representing shares of Common Stock upon exercise of the Put Right, and distributing the Put Price therefor.

(6) "Letter of Transmittal" means the notice delivered to each holder of record as of the Record Date, containing instructions as to how to exercise the Put Right, including a form of written notice for exercising the Put Right.

(7) "Material Transaction" means a partnering, development or any other transaction, whether commercial, investment or otherwise, that the Board of Directors in its sole and absolute discretion determines is material to the Corporation.

(8) "Net Liquid Assets" means the sum of the Corporation's cash and cash equivalents and the liquidation value of the Corporation's other disposable assets, as determined by the Board of Directors in its sole and absolute discretion.

(9) "Put Notice" means the written notice from the Corporation to each holder of record of Common Stock on the Record Date, notifying such holder of the Put Right, the Commencement Date, the Closing Date, and the Put Price, and providing a Letter of Transmittal.

(10) "Put Period" means the period beginning on the Commencement Date and ending on the Closing Date.

(11) "Put Price" means an amount equal to 90% of Available Cash divided by the number of Puttable Shares.

(12) "Put Right" means the right to require the Corporation to redeem all or any portion of such holder's Puttable Shares at a cash price equal to the Put Price in accordance with and subject to the terms and conditions of this Article 5A.

(13) "Puttable Shares" means all shares of Common Stock outstanding as of the Record Date.

(14) "Record Date" means June 30, 2011.

(15) "Closing Date" means July 31, 2011, or such later date as may be designated by the Board of Directors.

(b) Each holder of record of Common Stock on the Record Date shall have a Put Right beginning on the Commencement Date and ending on the Closing Date.

(c) With respect to each Puttable Share as to which the Put Right has been properly exercised, the Corporation shall pay the holder an amount equal to 90% of Available Cash divided by the number of shares of Common Stock outstanding as of the Record Date.

(d) If, after the Record Date, the Corporation shall effect a subdivision or combination of the Common Stock into a greater or lesser number of shares of Common Stock, or declare a dividend on the Common Stock payable in shares of Common Stock, then in each such case the Put Price shall be adjusted by multiplying the Put Price in effect immediately prior to such event by the ratio of the number of shares of Common Stock outstanding immediately prior to such event to the number of shares of Common Stock outstanding immediately after such event. If the Corporation shall at any time declare or pay any dividend on Common Stock in cash, securities or other property other than Common Stock, the Put Price shall be reduced by the per share value of such dividend. The Board of Directors shall determine in its sole and absolute discretion the value of any non-cash dividend for purposes of calculating any adjustment to the Put Price.

(e) As soon as practicable following the Record Date, the Corporation shall mail the Put Notice to each holder of record of Puttable Shares to such holder's address as it appears on the stock register of the Corporation. A holder of Puttable Shares may exercise his, her or its Put Right by delivering to the Depositary a duly and properly completed Letter of Transmittal during the Put Period, specifying, among other things, the number of Puttable Shares as to which the Put Right is being exercised and accompanied by a certificate or certificates representing such shares, with all necessary endorsements and stock powers.

(f) As soon as practicable following the Closing Date, the Corporation shall deposit with the Depositary funds in an amount sufficient to pay the Put Price for all Puttable Shares as to which Put Rights have been properly exercised. Each holder of Puttable Shares who has properly exercised the Put Right shall be paid the Put Price for each such share as soon as practicable following the Closing Date. In the event that a holder of Puttable Shares exercises

his, her or its Put Right with respect to less than all of the Puttable Shares held by such holder, a new certificate representing the shares of Common Stock as to which the Put Right was not exercised will be issued to the holder of such shares as soon as practicable after the Closing Date.

(g) Notwithstanding any other provision of this Article 5A, the Corporation's obligation to pay the Put Price in respect of Puttable Shares as to which Put Rights have been properly exercised shall be subject to the satisfaction of each of the following conditions:

(1) compliance with all applicable federal and state securities laws, including without limitation the filing with the U.S. Securities and Exchange Commission of an issuer tender offer statement on Schedule TO and Schedule 13E-3, to the extent required;

(2) compliance with all other applicable laws, including Delaware General Corporation Law §160 relating to repurchases of shares;

(3) availability of sufficient cash to pay the Put Price in respect of all Puttable Shares as to which Put Rights have been properly exercised;

(4) absence of any court or administrative order or proceeding prohibiting or seeking the prohibition of the consummation of the redemption of Puttable Shares hereunder; and

(5) less than 100% of the Puttable Shares having been put pursuant to the Put Rights.

If any of the above conditions are not satisfied, the Corporation shall not be obligated to pay the Put Price in respect of Puttable Shares as to which Put Rights have been properly exercised.

(h) Notwithstanding any other provision of this Article 5A, the Put Rights will terminate immediately upon the occurrence of any of the following:

(1) the Corporation enters into a Material Transaction;

(2) the Corporation consummates a Change of Control Transaction;

(3) the Board of Directors approves a plan of dissolution or liquidation at any time prior to the redemption of Puttable Shares hereunder, whether before or after the Commencement Date; or

(4) the Put Rights are exercised with respect to 100% of the Puttable Shares, in which case the Board of Directors shall promptly thereafter propose a plan of dissolution or liquidation to stockholders in accordance with the Delaware General Corporation Law.

(i) Provided that all conditions to the payment of the Put Price have been satisfied and the Put Rights have not otherwise terminated in accordance with this Article 5A, the Corporation shall pay the Put Price in respect of all, and not less than all, Puttable Shares as to which Put Rights have been properly exercised.

6. Classification and Terms of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors consisting of not less than three directors nor more than nine directors, the exact number of directors to be determined from time to time by resolution adopted by the Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The terms of the initial Class I directors shall terminate on the date of the first annual meeting of stockholders held after the effective date of this Article 6; the term of the initial Class II directors shall terminate on the date of the second annual meeting of stockholders held after the effective date of this Article 6; and the term of the initial Class III directors shall terminate on the date of the third annual meeting of stockholders held after the effective date of this Article 6. At each annual meeting of stockholders beginning with the first annual meeting held after the effective date of

this Article 6, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining terms of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors, howsoever resulting (including without limitation newly created directorships), may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation or the resolution or resolutions adopted by the Board of Directors pursuant to Article Five applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article Six unless expressly provided by such terms.

7. Removal of Directors. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of a majority of the outstanding shares of the Corporation then entitled to vote generally in the election of directors, considered for purposes of this Article 7 as one class.

8. Director Liability. No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Section 8 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

9. Action by Consent of Stockholders. Any action required or permitted to be taken by the stockholders must be effected at a duly called and noticed annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders.

10. Compromise of Debts. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court direct. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

11. Special Voting Requirements.

(a) Except as set forth in Section (b) of this Article 11, the affirmative vote of the holders of two-thirds of the outstanding stock of the Corporation entitled to vote shall be required for:

(1) any merger or consolidation to which the Corporation, or any of its subsidiaries, and an Interested Person (as hereinafter defined) are parties;

(2) any sale or other disposition by the Corporation, or any of its subsidiaries, of all or substantially all of its assets to an Interested Person;

(3) any purchase or other acquisition by the Corporation, or any of its subsidiaries, of all or substantially all of the assets or stock of an Interested Person; and

(4) any other transaction with an Interested Person which requires the approval of the stockholders of the Corporation under the GCL, as in effect from time to time.

(b) The provisions of Section (a) of this Article 11 shall not be applicable to any transaction described therein if such transaction is approved by resolution of the Corporation's Board of Directors, provided that a majority of the members of the Board of Directors voting for the approval of such transaction are Continuing Directors. The term "Continuing Director" shall mean any member of the Board of Directors of the Corporation who is not the Interested Person, and not an affiliate, associate, representative or nominee of the Interested Person or of such an affiliate or associate that is involved in the relevant transaction, and (A) was a member of the Board of Directors prior to the date that the person, firm or corporation, or any group thereof, with whom such transaction is proposed, became an Interested Person or (B) whose initial election as a director of the Corporation succeeds a Continuing Director or is a newly created directorship, and in either case was recommended by a majority vote of the Continuing Directors then in office.

(c) As used in this Article 11, the term "Interested Person" shall mean any person, firm or corporation, or any group thereof, acting or intending to act in concert, including any person directly or indirectly controlling or controlled by or under direct or indirect common control with such person, firm or corporation or group, which owns of record or beneficially, directly or indirectly, five percent (5%) or more of any class of voting securities of the Corporation.

12. Special Meetings. Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by the President, or the Board of Directors pursuant to a resolution approved by a majority of the whole Board of Directors, or at the request in writing of shareholders owning at least 35% of the capital stock issued and outstanding and entitled to vote. Special meetings of the stockholders may not be called by any other person or persons. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of such meeting.

13. Bylaws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized by majority vote of the whole Board of Directors to adopt, repeal, alter, amend or rescind the Bylaws of the Corporation. In addition, the Bylaws of the Corporation may be adopted, repealed, altered, amended, or rescinded by the affirmative vote of two-thirds of the outstanding stock of the Corporation entitled to vote thereon; provided, if the Continuing Directors, as defined in Article 11 shall by a majority vote of such Continuing Directors have adopted a resolution approving the amendment or repeal proposal and have determined to recommend it for approval by the holders of stock entitled to vote thereon, then the vote required shall be the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote thereon.

14. Certificate. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute and the Certificate of Incorporation, and all rights conferred on stockholders herein are granted subject to the reservations in Article 14. Provided, however, the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding stock of the Corporation entitled to vote thereon, shall be required to alter, amend, or adopt any provision inconsistent with or repeal Articles 4, 6, 7, 9, 11, 12 and 13 and this Article 14; provided, if the Continuing Directors, as defined in Article 11 shall by a majority vote of such Continuing Directors have adopted a resolution approving the amendment or repeal proposal and have determined to recommend it for approval by the holders of stock entitled to vote thereon, then the vote required shall be the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote thereon.

AMENDED AND RESTATED

CERTIFICATE OF DESIGNATION

OF

SERIES A PREFERRED STOCK

OF

CAPSTONE THERAPEUTICS CORP.

The undersigned, being the Executive Chairman of Capstone Therapeutics Corp. (the "Corporation"), a corporation organized and existing under the Delaware General Corporation Law, hereby certifies that, pursuant to the provisions of Section 151 of the Delaware General Corporation Law, the Board of Directors of the Corporation duly adopted the following resolution on June 24, 2014, which resolution remains in full force and effect as of the date hereof:

Series A Preferred Stock

RESOLVED, that the Board of Directors of the Corporation, pursuant to authority vested in it by the provisions of the Corporation's Certificate of Incorporation (the "Charter"), hereby amends restates the powers, designations, preferences and relative, participating, optional or other rights of the Series A Preferred Stock of the Corporation, and the qualifications, limitations or restrictions thereof, as follows:

The first series of Preferred Stock, par value $.0005 per share, of the Corporation shall be, and hereby is, designated "Series A Preferred Stock" (the "Series A Shares"), and the number of shares constituting such series shall be One Million (1,000,000). The relative rights and preferences of the Series A Shares shall be as follows:

Section A. Dividends and Distributions.

(1) Subject to the prior and superior rights of the holders of any shares of any series of stock prior and superior to the Series A Shares with respect to dividends, the holders of Series A Shares, in preference to the holders of Common Stock, par value $.0005 per share, of the Corporation (the "Common Stock") and of any other junior stock, shall be entitled to receive, when and as declared by the Board of Directors, out of any funds lawfully available therefor, cash dividends thereon, payable quarterly, from the date of issuance thereof, upon the tenth days of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Series A Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $0.10 or (b) subject to the provisions for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend or distribution payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Series A Share. In the event the Corporation shall at any time after the first issuance of any Series A Share (i) declare any dividend on the Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amounts to which holders of Series A Shares were entitled immediately prior to such event under clause (a) and clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) The Corporation shall declare a dividend or distribution on the Series A Shares as provided in paragraph (1) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend or distribution payable in shares of Common Stock); provided, however, that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $0.10 per share on the Series A Shares shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date; and provided further, that nothing contained in this paragraph (2) shall be construed so as to conflict with any provision relating to the declaration of dividends contained in the Charter.

(3) Dividends shall begin to accrue and be cumulative on outstanding Series A Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case

dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series A Shares entitled to receive payment of a dividend or distribution declared thereon.

Section B. Redemption. The Series A Shares are not redeemable.

Section C. Liquidation, Dissolution or Winding Up. In the event of the voluntary or involuntary liquidation of the Corporation the "preferential amount" that the holders of the Series A Shares shall be entitled to receive out of the assets of the Corporation shall be $0.10 per share plus all accrued and unpaid dividends thereon.

(1) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (upon liquidation, dissolution or winding up) to the Series A Shares unless, prior thereto, the holders of Series A Shares shall have received $0.10 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of Series A Shares unless, prior thereto, the holders of shares of common stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in paragraph (3) of this Section C to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding Series A Shares and Common Stock, respectively, holders of Series A Shares and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one with respect to the Series A Shares and Common Stock, on a per share basis, respectively.

(2) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, that rank on a parity with the Series A Shares, then all such available assets shall be distributed ratably to the holders of the Series A Shares and the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then any such remaining assets shall be distributed ratably to the holders of Common Stock.

(3) In the event the Corporation shall at any time after the first issuance of any Series A Share (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section D. Sinking Fund. The Preferred Shares shall not be entitled to the benefit of any sinking fund for the redemption or purchase of such shares.

Section E. Conversion.

(1) Subject to paragraph (2) of this Section E, the Preferred Shares shall not be convertible.

(2) In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the Series A Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each

such case the amount set forth in the preceding sentence with respect to the exchange or change of Series A Shares shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section F. Voting Rights.

(1) The holders of Series A Shares shall have no voting rights except as provided by Delaware statutes or by paragraph (2) of this Section F.

(2) So long as any Series A Shares shall be outstanding, and in addition to any other approvals or consents required by law, without the consent of the holders of 66- 2/3% of the Series A Shares outstanding as of a record date fixed by the Board of Directors, given either by their affirmative vote at a special meeting called for that purpose, or, if permitted by law, in writing without a meeting:

(i) The Corporation shall not sell, transfer or lease all or substantially all the properties and assets of the Corporation; provided, however, that nothing herein shall require the consent of the holders of Series A Shares for or in respect of the creation of any mortgage, pledge, or other lien upon all or any part of the assets of the Corporation.

(ii) The Corporation shall not effect a merger or consolidation with any other corporation or corporations unless as a result of such merger or consolidation and after giving effect thereto holders of Series A Shares are entitled to receive a per share amount and type of consideration equal to 100 times the per share amount and type of consideration received by holders of shares of Common Stock, or (1) either (A) the Corporation shall be the surviving corporation or (B) if the Corporation is not the surviving corporation, the successor corporation shall be a corporation duly organized and existing under the laws of any state of the United States of America or the District of Columbia, and all obligations of the Corporation with respect to the Series A Shares shall be assumed by such successor corporation, (2) the Series A Shares then outstanding shall continue to be outstanding and (3) there shall be no alteration or change in the designation or the preferences, relative rights or limitations applicable to outstanding Series A Shares prejudicial to the holders thereof.

(iii) The Corporation shall not amend, alter or repeal any of the provisions of its Certificate of Incorporation in any manner that adversely affects the relative rights, preferences or limitations of the Series A Shares or the holders thereof.

Section G. Certain Restrictions.

(1) Whenever quarterly dividends or other dividends or distributions payable on the Series A Shares as provided in Section A are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Shares outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (as to dividends) to the Series A Shares;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (as to dividends) with the Series A Shares, except dividends paid ratably on the Series A Shares and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (as to dividends) to the Series A Shares; provided, however, that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation, ranking junior (as to dividends) to the Series A Shares; and

(iv) purchase or otherwise acquire for consideration any Series A Shares, or any shares of stock ranking on a parity (as to dividends) with the Series A Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(2) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (1) of this Section G, purchase or otherwise acquire such shares at such time and in such manner.

Section H. Fractional Shares. The Corporation may issue fractions and certificates representing fractions of Series A Shares in integral multiples of 1/100th of a Series A Share, or in lieu thereof, at the election of the Board of Directors of the Corporation at the time of the first issue of any Series A Shares, evidence such fractions by depositary receipts, pursuant to an appropriate agreement between the Corporation and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all rights, privileges and preferences to which they would be entitled as beneficial owners of Series A Shares. In the event that fractional Series A Shares are issued, the holders thereof shall have all the rights provided herein for holders of full Series A Shares in the proportion that such fraction bears to a full share.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Designation of Series A Preferred Stock to be signed as of this _____ day of _____, 20___.

CAPSTONE THERAPEUTICS CORP.

By:_____

Name: John M. Holliman, III

Title: Executive Chairman

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 0-21214

CAPSTONE THERAPEUTICS CORP.

(Exact name of registrant as specified in its charter)

Delaware	86-0585310
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

1275 West Washington Street, Suite 104, Tempe, Arizona 85281
(Address of principal executive offices)
Registrant's telephone number including area code: (602) 286-5520

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.0005 per share
Preferred Share Purchase Rights
(Title of Class)

(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock as reported on the OTCQB on June 30, 2014 was approximately $7,200,000. Shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive.

Documents incorporated by reference: None

The number of outstanding shares of the registrant's common stock on February 28, 2015 was 40,885,411.

CAPSTONE THERAPEUTICS CORP.
FORM 10-K ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2014

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PART I

Item 1. Business

Overview of the Business

Capstone Therapeutics Corp. (the "Company" or "we") is a biotechnology company committed to developing a pipeline of novel peptides and other molecules aimed at helping patients with under-served medical conditions. Previously, we were focused on the development and commercialization of two product platforms: AZX100 and Chrysalin (TP508). Since March 2012, we no longer have any interest in or rights to Chrysalin. In 2012 we wound down internal operations, ceased clinical development of AZX100 in dermal scarring, formerly our principal drug candidate, and moved to a more virtual operating model. In 2014, we terminated the License Agreement for AZX100 intellectual property and returned all interest in and rights to the AZX100 intellectual property to the Licensor (AzTE).

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (the "JV") to develop Apo E mimetic peptide molecule AEM-28 and its analogs. The JV has a development plan to pursue regulatory approval of AEM-28, or an analog, as treatment for Homozygous Familial Hypercholesterolemia (granted Orphan Drug Designation by FDA in 2012) and other hyperlipidemic indications. The initial development plan extended through Phase 1a and 1b/2a clinical trials and was completed in the fourth quarter of 2014. The clinical trials have a safety primary endpoint and an efficacy endpoint targeting reduction of cholesterol and triglycerides.

The JV received allowance from regulatory authorities in Australia permitting the JV to proceed with the planned clinical trials. The Phase 1a clinical trial commenced in Australia in April 2014 and the Phase 1b/2a clinical trial commenced in Australia in June 2014. The clinical trials for AEM-28 are randomized, double-blinded, placebo-controlled studies to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of six escalating single doses (Phase 1a in healthy patients with elevated cholesterol) and multiple ascending doses of the three highest doses from Phase 1a (Phase 1b/2a in patients with hypercholesterolemia and healthy subjects with elevated cholesterol and high Body Mass Index). The Phase 1a clinical trial consisted of 36 patients and the Phase 1b/2a consisted of 15 patients. Both clinical trials were completed in 2014 and the Medical Safety Committee, reviewing all safety-related aspects of the clinical trials, observed a generally acceptable safety profile. As first-in-man studies, the primary endpoint was safety; yet efficacy measurements analyzing pharmacodynamics yielded statistical significance in the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints.

Concurrently with the development activities with AEM-28, the JV has performed limited pre-clinical studies that have identified an analog of AEM-28, referred to as AEM-28-02, and a new phospholipid formulation, that has the potential of equivalent efficacy, higher human dose toleration and an extended composition of matter patent life (application filed with the U.S. Patent and Trademark Office in 2014).

The JV and Company intend to explore fundraising, partnering or licensing, to obtain additional funding to continue development activities of AEM-28 and AEM-28-02.

The JV and the Company do not have sufficient funding at this time to continue additional material development activities of AEM-28 and its analogs. The JV may conduct future clinical trials in Australia, the USA, and other regulatory jurisdictions if regulatory approvals, additional funding, and other conditions permit. The JV may also fund research or studies to investigate AEM-28-02 for treatment of acute coronary syndrome and other indications.

The Company intends to limit its internal operations to a virtual operating model while continuing monitoring and participating in the management of LipimetiX Development, LLC's AEM-28 and analogs development activities and maintaining the required level of corporate governance and reporting required to comply with Securities and Exchange Commission rules and regulations.

Description of Our Peptide Drug Candidates.

Apo E Mimetic Peptide Molecule – AEM-28 and its analogs

Apolipoprotein E is a 299 amino acid protein that plays an important role in lipoprotein metabolism. AEM-28 is a 28 amino acid mimetic of Apo E and AEM-28-02 (an analog of AEM-28) is a 28 amino acid mimetic of Apo E (with an aminohexanoic acid group and a phospholipid) and both contain a domain that anchors into a lipoprotein surface while also providing the Apo E receptor binding domain, which allows clearance through the heparan sulfate proteoglycan (HSPG) receptors (Syndecan-1) in the liver. AEM-28 and AEM-28-02, as Apo E mimetics, have the potential to restore the ability of these atherogenic lipoproteins to be cleared from the plasma, completing the reverse cholesterol transport pathway, and thereby reducing cardiovascular risk. This is an important mechanism of action for AEM-28 and AEM-28-02. For patients that lack LDL receptors (Homozygous Familial Hypercholesterolemia-HoFH), or have hypercholesterolemia, AEM-28 or AEM-28-02 may provide a therapeutic solution. Our joint venture has an Exclusive License Agreement with The University of Alabama Birmingham Research Foundation for AEM-28 and certain of its analogs.

Company History

Prior to November 2003, we developed, manufactured and marketed proprietary, technologically advanced orthopedic products designed to promote the healing of musculoskeletal bone and tissue, with particular emphasis on fracture healing and spine repair. Our product lines, which included bone growth stimulation and fracture fixation devices, are referred to as our "Bone Device Business." In November 2003, we sold our Bone Device Business.

In August 2004, we purchased substantially all of the assets and intellectual property of Chrysalis Biotechnology, Inc. ("CBI"), including its exclusive worldwide license for Chrysalin for all medical indications. Subsequently, our efforts were focused on research and development of Chrysalin with the goal of commercializing our products in fresh fracture healing. (In March 2012, we returned all rights to the Chrysalin intellectual property and no longer have any interest in, or rights to Chrysalin.)

In February 2006, we purchased certain assets and assumed certain liabilities of AzERx, Inc. Under the terms of the transaction, we acquired an exclusive license for the core intellectual property relating to AZX100, an anti-fibrotic peptide. In 2014, we terminated the License Agreement with AzTE (Licensor) for the core intellectual property relating to AZX100 and returned all interest in and rights to the AZX100 intellectual property to the Licensor.

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (see Note 9 in Notes to Financial Statements included in this Annual Report on Form 10-K for more information) to develop Apo E mimetic peptide molecule AEM-28 and analogs.

Our development activities represent a single operating segment as they shared the same product development path and utilized the same Company resources. As a result, we determined that it is appropriate to reflect our operations as one reportable segment.

OrthoLogic Corp. commenced doing business under the trade name of Capstone Therapeutics on October 1, 2008, and we formally changed our name from OrthoLogic Corp. to Capstone Therapeutics Corp. on May 21, 2010.

In this Annual Report, references to "we", "our", the "Company", "Capstone Therapeutics", "Capstone", and "OrthoLogic" refer to Capstone Therapeutics Corp. References to our Bone Device Business refer to our former business line of bone growth stimulation and fracture fixation devices, including the OL1000 product line, SpinaLogic®, OrthoFrame® and OrthoFrame/Mayo. References to our joint venture, or the "JV", refer to LipimetiX Development, LLC.

Competition

The biopharmaceutical industry is characterized by intense competition and confidentiality. We may not be aware of the other biotechnology, pharmaceutical companies or public institutions that are developing pharmaceuticals or devices that compete with our potential products. We also may not be aware of all the other competing products our known competitors are pursuing. In addition, these biotechnology companies and public institutions compete with us in recruiting for research personnel and subjects, which may affect our ability to complete our research studies.

AEM-28 and Analogs

Cholesterol reduction therapy is one of the largest drug markets served by numerous approved medications and with numerous potential therapies in various stages of clinical development.

Marketing and Sales

AEM-28 and its analogs are not currently available for sale and we do not expect them to be available for sale for some time into the future, if ever. Thus, we currently have no marketing or sales staff. External consultants and members of our staff provide some technical marketing support relating to the development of, and market need for, new potential products and additional therapeutic applications of products already under research.

Research and Development

At December 31, 2014, we had two administrative employees and utilized consultants to perform various administrative, regulatory or research tasks. We have entered into consulting agreements with several former employees in an effort to retain their availability to render services if and when needed.

Our research and development for 2014 and 2013 consisted primarily of work with or through our joint venture.

Through our joint venture, LipimetiX Development, LLC ("JV"), we incurred expenses of $2.4 million and $2.7 million relating to AEM-28 and analogs research efforts in 2014 and 2013, respectively. The JV has a development plan to pursue regulatory approval of AEM-28 or an analog, as treatment for Homozygous Familial Hypercholesterolemia (granted Orphan Drug Designation by FDA in 2012) and other hyperlipidemic indications. The initial development plan extended through Phase 1a and 1b/2a clinical trials and was completed in the fourth quarter of 2014. The clinical trials have a safety primary endpoint and an efficacy endpoint targeting cholesterol and lipid reduction.

The JV received allowance from regulatory authorities in Australia permitting the JV to proceed with the planned clinical trials. The Phase 1a clinical trial commenced in Australia in April 2014 and the Phase 1b/2a clinical trial commenced in Australia in June 2014. The clinical trials for AEM-28 are randomized, double-blinded, placebo-controlled studies to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of six escalating single doses (Phase 1a in healthy patients with elevated cholesterol) and multiple ascending doses of the three highest doses from Phase 1a (Phase 1b/2a in patients with hypercholesterolemia and healthy subjects with elevated cholesterol and high Body Mass Index). The Phase 1a clinical trial consisted of 36 patients and the Phase 1b/2a consisted of 15 patients. Both clinical trials were completed in 2014 and the Medical Safety Committee, reviewing all safety-related aspects of the clinical trials, observed a generally acceptable safety profile. As first-in-man studies, the primary endpoint was safety; yet efficacy measurements analyzing pharmacodynamics yielded statistical significance in the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints.

Concurrently with the development activities with AEM-28, the JV has performed limited pre-clinical studies that have identified an analog of AEM-28, referred to as AEM-28-02, and a new phospholipid

formulation, that has the potential of equivalent efficacy, higher human dose toleration and an extended composition of matter patent life (application filed in 2014).

Manufacturing

Currently, third parties certified under Good Manufacturing Practices manufacture AEM-28 and its analogs for us in limited amounts for our clinical and pre-clinical studies. We use a primary manufacturer for the peptides used in our human clinical trials, but secondary manufacturers are available as needed. AEM-28 and its analogs chemistry, manufacturing and control plan is based on an infusion formulation.

Patents, Licenses and Proprietary Rights

The JV we entered into on August 3, 2012, LipimetiX Development, LLC, has an Exclusive License Agreement (the "Agreement) with the University of Alabama at Birmingham Research Foundation ("UABRF") covering AEM-28 and certain analogs (included as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, filed with the Securities and Exchange Commission on August 10, 2012, and as amended effective December 15, 2014, included as Exhibit 10.1 to the Company's Current report on Form 8-K, filed with the Securities and Exchange Commission on January 30, 2015). The Agreement calls for payment of patent filing, maintenance and other related patent fees, as well as a royalty of 3% on Net Sales of Licensed Products during the Term of the Agreement. The Agreement terminates upon the expiration of all Valid Patent Claims within the Licensed Patents, currently estimated to be 2034. The Agreement, as amended, also calls for annual maintenance payments of $25,000, various milestone payments of $50,000 to $500,000 and minimum royalty payment of $500,000 to $1,000,000 per year commencing on January 1 of the first calendar year following the year in which the First Commercial Sale occurs. UABRF will also receive 5% of Non Royalty Income received.

Capstone Therapeutics is a registered United States domestic trademark of Capstone Therapeutics Corp.

Insurance

Our business entails the risk of product liability claims. We maintain a product liability and general liability insurance policy and an umbrella excess liability policy. There can be no assurance that liability claims will not exceed the coverage limit of such policies or that such insurance will continue to be available on commercially reasonable terms or at all. Consequently, product liability claims or claims arising from our clinical trials could have a material adverse effect on our business, financial condition and results of operations. We have not experienced any material liability claims to date resulting from our clinical trials.

Employees

As of December 31, 2014, we had two full time administrative employees in our operations and utilize consultants to perform a variety of administrative, regulatory or research tasks. We have entered into consulting agreements with various former key employees, but there is no assurance that these persons will be available in the future to the extent their services may be needed. As a research and development business, we believe that the success of our business will depend in part on our ability to identify, attract and retain qualified research personnel, both as employees and as consultants. We face competition from private companies and public institutions for qualified research personnel. None of our employees are represented by a union and we consider our relationship with our employees to be good.

Additional Information about Capstone Therapeutics

We were incorporated as a Delaware corporation in July 1987 as IatroMed, Inc. We changed our name to OrthoLogic Corp. in July 1991. Effective October 1, 2008, OrthoLogic Corp. commenced doing business under the trade name of Capstone Therapeutics and we formally changed our name to Capstone

Therapeutics Corp. on May 21, 2010. Our executive offices are located at 1275 West Washington Street, Suite 104, Tempe, Arizona 85281, and our telephone number is (602) 286-5520.

Our website address is www.capstonethx.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practical after we file or furnish them to the U.S. Securities and Exchange Commission. Once at our website, go to the "Investors" section to locate these filings. Copies of the materials we file with the Securities and Exchange Commission can also be obtained free of charge from the Securities and Exchange Commission's website at www.sec.gov, or by contacting the Securities and Exchange Commission's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330.

We adopted a code of ethics that applies to all of our employees and has particular sections that apply only to our principal executive officer and senior financial officers. We posted the text of our code of ethics on our website in the "Investors" section of our website under "Corporate Governance", "Code of Ethics." In addition, we will promptly disclose on our website (1) the nature of any amendment to our code of ethics that applies to our principal executive officer and senior financial officers, and (2) the nature of any waiver, including an implicit waiver, from a provision of our code of ethics that is granted to one of these specified officers, the name of such officer who is granted the waiver and the date of the waiver.

Item 1A. Risk Factors

Safe Harbor

We may from time to time make written or oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to stockholders. The safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 protects companies from liability for their forward looking statements if they comply with the requirements of that Act. This Annual Report on Form 10-K contains forward-looking statements made pursuant to that safe harbor. These forward-looking statements relate to future events or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, levels of activity, performance or achievements. Factors that may cause actual results to differ materially from current expectations, which we describe in more detail in this section titled "Risks," include, but are not limited to:

- the impact of our actions to preserve cash, including the reduction from eighteen employees to two employees and additional steps taken towards a virtual operating model;
- unfavorable results of product candidate development efforts, including through our joint venture;
- unfavorable results of pre-clinical or clinical testing, including through our joint venture;
- delays in obtaining, or failure to obtain FDA or comparable foreign agencies approvals;
- increased regulation by the FDA or comparable foreign agencies;
- the introduction of competitive products;
- impairment of license, patent or other proprietary rights;
- the impact of present and future joint venture, collaborative or partnering agreements or the lack thereof;
- failure to successfully implement our drug development strategy for AEM-28 and its analogs;

- failure to obtain additional funds required to complete clinical trials and supporting research and production efforts necessary to obtain FDA or comparable foreign agencies approval for product candidates or secure development agreements with pharmaceutical manufacturers;
- effect of the ongoing *qui tam* litigation on our stock price, liquidity, and our ability to execute corporate or other transactions, or our ability to continue operations; and
- *Qui tam* litigation costs or any resulting judgment could exceed our available resources, and we may be forced to liquidate before fully exploring the value that could be realized from our joint venture's development activities.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you read in this Annual Report on Form 10-K reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, business strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Risks Related to Our Business

We are a defendant in a qui tam, Federal False Claims Act lawsuit that, if unsuccessfully resolved, could materially and adversely impact our business.

In September 2009, we were served with a *qui tam* complaint, filed in the U.S. District Court for the District of Massachusetts, alleging violations of the Federal False Claims Act in connection with our sales of bone growth stimulation devices prior to our sale of that business in November 2003. See Item 3, Legal Proceedings, below, for a discussion of this lawsuit. On December 8, 2010, the court denied our motion to dismiss and we filed our answer on January 28, 2011. No trial date has been set and discovery in the case is now open.

We believe that our billing practices related to our sale of bone growth stimulation devices complied with applicable laws and that we have meritorious defenses to the complaint. However, because of the many questions of law and fact that may arise, we cannot at this time predict the outcome of the litigation or its impact on our business, liquidity or financial condition. The Relator seeks damages which, if awarded, could include a statutory penalty for each bone stimulation device sold during the relevant period and which, in the aggregate, could exceed the financial resources of the Company. If we are unable to successfully defend or otherwise dispose of this litigation, and the Relator is awarded the damages sought, we would not be able to continue our business as it is presently conducted.

The pendency of this claim may impede or have a material adverse affect on our ability to effect a dissolution, issue a dividend or enter into a strategic transaction.

We are a biopharmaceutical company with no revenue generating operations and high investment costs.

We expect to incur losses for a number of years. Our current level of funds is not sufficient to support all research expenses to achieve commercialization of any of our product candidates. In November 2003, we sold all of our revenue generating operations. We are now focused on developing and testing the product candidates of AEM-28 and its analogs (through our joint venture, LipimetiX Development, LLC) and have allocated most of our resources to bringing these product candidates to the market, either through clinical trials or partnering efforts. We currently have no pharmaceutical products being sold or ready for sale and do not expect to be able to introduce any pharmaceutical products for at least several years. As a result of our significant research and development, clinical development, regulatory compliance and general and administrative expenses and the lack of any products to generate revenue, we expect to incur losses for at least

the next several years and expect that our losses will increase if we expand our research and development activities and incur significant expenses for clinical trials. Our cash reserves are the primary source of our working capital. To complete the clinical trials and supporting research and production efforts necessary to obtain FDA or comparable foreign agencies' approval for AEM-28 and its analogs product candidates would require us to seek other sources of capital. New sources of funds, including raising capital through the sales of securities, joint venture or other forms of joint development arrangements, sales of developments rights, or licensing agreements, may not be available or may only be available at terms that would have a material adverse impact on our existing stockholders' interests.

We may not receive any revenue from our product candidates until we receive regulatory approval and begin commercialization of our product candidates. We cannot predict when that will occur or if it will occur.

We caution that our future cash expenditure levels are difficult to forecast because the forecast is based on assumptions about the level of future operations, including the number of research projects we pursue, the pace at which we pursue them, the quality of the data collected and the requests of the FDA or comparable foreign agencies to expand, narrow or conduct additional clinical trials and analyze data. Changes in any of these assumptions can change significantly our estimated cash expenditure levels.

Our AEM-28 and analogs product candidates have reached various stages of development but may not be successfully developed or commercialized.

If we fail to commercialize our product candidates, we will not be able to generate revenue. We currently do not sell any products. Our product candidates have reached the following stages of development:

AEM-28:

- Completed Phase 1 and Phase 1b/2a human clinical trials

AEM-28-02:

- Pre-clinical studies

We are subject to the risk that:

- the FDA or comparable foreign agencies finds some or all of our product candidates ineffective or unsafe;
- we do not receive necessary regulatory approvals;
- we are unable to get some or all of our product candidates to market in a timely manner;
- we are not able to produce our product candidates in commercial quantities at reasonable costs;
- our products undergo post-market evaluations resulting in marketing restrictions or withdrawal of our products; or
- the patients, insurance and/or physician community does not accept our products.

In addition, our product development programs may be curtailed, redirected or eliminated at any time for many reasons, including:

- adverse or ambiguous results;
- undesirable side effects which delay or extend the trials;
- inability to locate, recruit, qualify and retain a sufficient number of patients for our trials;
- regulatory delays or other regulatory actions;
- difficulties in obtaining sufficient quantities of the particular product candidate or any other components needed for our pre-clinical testing or clinical trials;
- change in the focus of our development efforts;
- re-evaluation of our clinical development strategy; and

- lack of sufficient funds to pay for development costs.

We cannot predict whether we will successfully develop and commercialize any of our product candidates. If we fail to do so, we will not be able to generate revenue.

If one of our product candidates reveals safety or fundamental efficacy issues in clinical trials, it could adversely impact the development path for our other current product candidates for that peptide.

Should the results of pre-clinical studies or human clinical trials show negative safety or efficacy data, it may adversely impact the development of our product candidates, or partnering opportunities for our product candidates.

If we cannot protect the AEM-28 and its analogs patents, or our intellectual property generally, our ability to develop and commercialize our products will be severely limited.

Our success will depend in part on our ability to maintain and enforce patent protection for AEM-28 and its analogs and each resulting product. Without patent protection, other companies could offer substantially identical products for sale without incurring the sizable discovery, development and licensing costs that we have incurred. Our ability to recover these expenditures and realize profits upon the sale of products would then be diminished.

AEM-28 and its analogs are patented and there have been no successful challenges to the patents. However, if there were to be a challenge to these patents or any of the patents for product candidates, a court may determine that the patents are invalid or unenforceable. Even if the validity or enforceability of a patent is upheld by a court, a court may not prevent alleged infringement on the grounds that such activity is not covered by the patent claims. Any litigation, whether to enforce our rights to use our or our licensors' patents or to defend against allegations that we infringe third party rights, will be costly, time consuming, and may distract management from other important tasks.

As is commonplace in the biotechnology and pharmaceutical industries, we employ, or engage as consultants, individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. To the extent our employees are involved in research areas which are similar to those areas in which they were involved at their former employers, we may be subject to claims that such employees and/or we have inadvertently or otherwise used or disclosed the alleged trade secrets or other proprietary information of the former employers. Litigation may be necessary to defend against such claims, which could result in substantial costs and be a distraction to management and which may have a material adverse effect on us, even if we are successful in defending such claims.

We also rely on trade secrets, know-how and other proprietary information. We seek to protect this information, in part, through the use of confidentiality agreements with employees, consultants, advisors and others. Nonetheless, we cannot assure that those agreements will provide adequate protection for our trade secrets, know-how or other proprietary information and prevent their unauthorized use or disclosure. The risk that other parties may breach confidentiality agreements or that our trade secrets become known or independently discovered by competitors, could adversely affect us by enabling our competitors, who may have greater experience and financial resources, to copy or use our trade secrets and other proprietary information in the advancement of their products, methods or technologies.

Our success also depends on our ability to operate and commercialize products without infringing on the patents or proprietary rights of others.

Third parties may claim that we or our licensors or suppliers are infringing their patents or are misappropriating their proprietary information. In the event of a successful claim against us or our licensors or suppliers for infringement of the patents or proprietary rights of others, we may be required to, among other things:

- pay substantial damages;
- stop using our technologies;
- stop certain research and development efforts;
- develop non-infringing products or methods; and
- obtain one or more licenses from third parties.

A license required under any such patents or proprietary rights may not be available to us, or may not be available on acceptable terms. If we or our licensors or suppliers are sued for infringement, we could encounter substantial delays in, or be prohibited from, developing, manufacturing and commercializing our product candidates.

The loss of our key management and scientific personnel may hinder our ability to execute our business plan.

As a small company our success depends on the continuing contributions of our management team and scientific personnel, and maintaining relationships with the network of medical and academic centers in the United States and centers that conduct our clinical trials. On October 31, 2011, we reduced our staff to four employees and as of December 31, 2014, we only have two administrative employees and utilize consultants to perform a variety of administrative, regulatory or research tasks. We have entered into consulting agreements with various former key employees, but there is no assurance that these persons will be available in the future to the extent their services may be needed.

If we are not successful in retaining the services of former key employees it could materially adversely affect our business prospects, including our ability to explore partnering or development activities.

Our LipimetiX Development, LLC joint venture is managed by Benu BioPharma Inc., which is comprised of three individuals (Dennis I. Goldberg, Ph.D., Phillip M. Friden, Ph.D., and Eric M. Morrel, Ph.D.). Should any of these individuals not continue to provide services to the joint venture, it could have a material adverse effect on the joint venture's ability or cost to develop AEM-28 and its analogs.

Our reliance on outside suppliers and consultants could have a material effect on our ability to perform research or clinical trials.

We rely on outside suppliers and consultants for the manufacture of AEM-28 and its analogs, and technical assistance in our research and development efforts. The inability of our suppliers to meet our production quality requirements in a timely manner, or the lack of availability of experienced consultants to assist in our research and development efforts could have a material adverse effect on our ability to perform research or clinical trials.

We face an inherent risk of liability in the event that the use or misuse of our products results in personal injury or death.

The use of our product candidates in clinical trials may expose us to product liability claims, which could result in financial losses. Our clinical liability insurance coverage may not be sufficient to cover claims that may be made against us. In addition, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses. Any claims against us, regardless of their merit, could severely harm our financial condition, strain our management and other resources and adversely impact or eliminate the prospects for commercialization of the product which is the subject of any such claim.

The development of Apo E mimetic peptide molecule AEM-28 and its analogs by our joint venture may not result in a liquidity event or a liquidity event, if one occurs, may be insufficient in size and our investment in LipimetiX Development, LLC may not be recovered.

On August 3, 2012, we entered into a joint venture with LipimetiX, LLC to develop the Apo E mimetic molecule AEM-28 and its analogs and we contributed $6 million to the joint venture and at December 31, 2014 we have loaned an additional $500,000 to the joint venture. Our cash contribution to the joint venture represents a substantial proportion of our available cash.

The initial funded development plan will be focused on the development of treatments for Homozygous Familial Hypercholesterolemia and Refractory Hypercholesterolemia and extended through Phase 1a and 1b/2a clinical trials, which were completed in the 4th quarter of 2014. Our pre-clinical studies or clinical trials results may not be viewed by potential partners, licensees or acquirers, as successful, and we may not recover our investment. Even if our development efforts are viewed as successful, a liquidity event, if any, may be insufficient in size to recover our investment.

Our joint venture is unable to continue additional development of AEM-28 or its analogs without additional funding support and the Company does not have sufficient funds to continue both its operations and development funding, which may impair the ability of the joint venture or the Company to continue on a going concern basis.

There is no assurance that we will have adequate funds available, or that we can obtain needed funding from third parties on terms acceptable to us, or at all. If the joint venture cannot complete its development work as planned due to a lack of funds, the value of our investment would be impaired, perhaps materially, as would be our ability to continue as a going concern.

Risks of our Industry

We are in a highly regulated field with high investment costs and high risks.

The FDA and comparable agencies in many foreign countries impose substantial limitations on the introduction of new pharmaceuticals through costly and time-consuming laboratory and clinical testing and other procedures. The process of obtaining FDA and comparable foreign agencies required regulatory approvals is lengthy, expensive and uncertain. AEM-28 and its analogs are new drugs and subject to the most stringent level of regulatory review.

Even after we have invested substantial funds in the development of our products, and even if the results of our future clinical trials are favorable, there can be no guarantee that the FDA or comparable foreign agencies will grant approval for the indicated uses or that they will do so in a timely manner.

If we successfully bring one or more products to market, there is no assurance that we will be able to successfully manufacture or market the products or that potential customers will buy them if, for example, a competitive product has greater efficacy or is deemed more cost effective. In addition, the market in which we will sell any such products is dominated by a number of large corporations that have vastly greater resources than we have, which may impact our ability to successfully market our products or maintain any technological advantage we might develop. We also would be subject to changes in regulations governing the manufacture and marketing of our products, which could increase our costs, reduce any competitive advantage we may have and/or adversely affect our marketing effectiveness.

The pharmaceutical industry is subject to stringent regulation, and failure to obtain regulatory approval will prevent commercialization of our products.

Our research, development, pre-clinical and clinical trial activities and the manufacture and marketing of any products that we may successfully develop are subject to an extensive regulatory approval process by the FDA and other regulatory agencies in the United States and abroad. The process of obtaining required regulatory approvals for pharmaceutical products is lengthy, expensive and uncertain, and any such regulatory approvals may entail limitations on the indicated usage of a product, which may reduce the product's market potential.

In order to obtain FDA or comparable foreign agencies approval to commercialize any product candidate, an NDA (or comparable foreign agency form) must be submitted demonstrating, among other things, that the product candidate is safe and effective for use in humans for each target indication. Our regulatory submissions may be delayed, or we may cancel plans to make submissions for product candidates for a number of reasons, including:

- negative or ambiguous pre-clinical or clinical trial results;
- changes in regulations or the adoption of new regulations;
- unexpected technological developments; and
- developments by our competitors that are more effective than our product candidates.

Consequently, we cannot assure that we will make our submissions to the FDA or comparable foreign agencies in the timeframe that we have planned, or at all, or that our submissions will be approved by the FDA or comparable foreign agencies. Even if regulatory clearance is obtained, post-market evaluation of our products, if required, could result in restrictions on a product's marketing or withdrawal of a product from the market as well as possible civil and criminal sanctions.

Clinical trials are subject to oversight by institutional review boards, and the FDA or comparable foreign agencies, to ensure compliance with the good clinical practice regulations, as well as other requirements for good clinical practices. We depend, in part, on third-party laboratories and medical institutions to conduct pre-clinical studies and clinical trials for our products and other third-party organizations to perform data collection and analysis, all of which must maintain both good laboratory and good clinical practices. If any such standards are not complied with in our clinical trials, the FDA or comparable foreign agencies may suspend or terminate such trial, which would severely delay and possibly end the development of a product candidate.

We also currently and in the future will depend upon third party manufacturers of our products, which are and will be required to comply with the applicable FDA or comparable foreign agencies Good Manufacturing Practice regulations. We cannot be certain that our present or future manufacturers and suppliers will comply with these regulations. The failure to comply with these regulations may result in restrictions in the sale of, or withdrawal of the products from the market. Compliance by third parties with these standards and practices are outside of our direct control.

In addition, we are subject to regulation under state and federal laws, including requirements regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other local, state, federal and foreign regulation. We cannot predict the impact of such regulations on us, although they could impose significant restrictions on our business and require us to incur additional expenses to comply.

If our competitors develop and market products that are more effective than ours, or obtain marketing approval before we do, our commercial opportunities will be reduced or eliminated.

Competition in the pharmaceutical and biotechnology industries is intense and is expected to increase. Several biotechnology and pharmaceutical companies, as well as academic laboratories, universities and other research institutions, are involved in research and/or product development for indications targeted for use by AEM-28 and its analogs. Many of our competitors have significantly greater research and development capabilities, experience in obtaining regulatory approvals and manufacturing, marketing, financial and managerial resources than we have.

Our competitors may succeed in developing products that are more effective than the ones we have under development or that render our proposed products or technologies noncompetitive or obsolete. In addition, certain of our competitors may achieve product commercialization before we do. If any of our competitors develops a product that is more effective than one we are developing or plan to develop, or is able

to obtain FDA or comparable foreign agencies' approval for commercialization before we do, we may not be able to achieve significant market acceptance for certain products of ours, which would have a material adverse effect on our business.

For a summary of the competitive conditions relating to indications which we are currently considering for AEM-28 and its analogs, see Part I, Item 1 in this Report titled "Competition".

Our product candidates may not gain market acceptance among physicians, patients and the medical community, including insurance companies and other third party payors. If our product candidates fail to achieve market acceptance, our ability to generate revenue will be limited.

Even if we obtain regulatory approval for our products, market acceptance will depend on our ability to demonstrate to physicians and patients the benefits of our products in terms of safety, efficacy, and convenience, ease of administration and cost effectiveness. In addition, we believe market acceptance depends on the effectiveness of our marketing strategy, the pricing of our products and the reimbursement policies of government and third-party payors. Physicians may not prescribe our products, and patients may determine, for any reason, that our product is not useful to them. Insurance companies and other third party payors may determine not to reimburse for the cost of the product. If any of our product candidates fails to achieve market acceptance, our ability to generate revenue will be limited.

Healthcare reform and restrictions on reimbursements may limit our financial returns.

Our ability to successfully commercialize our products may depend in part on the extent to which government health administration authorities, private health insurers and other third party payors will reimburse consumers for the cost of these products. Third party payors are increasingly challenging both the need for, and the price of, novel therapeutic drugs and uncertainty exists as to the reimbursement status of newly approved therapeutics. Adequate third party reimbursement may not be available for our products to enable us to maintain price levels sufficient to realize an appropriate return on our investments in research and product development, which could restrict our ability to commercialize a particular product candidate.

Risks Relating to our Common Stock

Our stock price is volatile and fluctuates due to a variety of factors.

Our stock, which is traded in the over-the-counter market, is thinly traded and the trading price has varied significantly in the past (from a high of $9.32 to a low of $0.12 during the period of January 1, 2004 through December 31, 2014) and may vary in the future due to a number of factors, including:

- announcement of the results of, or delays in, preclinical and clinical studies;
- fluctuations in our operating results;
- developments in litigation to which we or a competitor is subject;
- announcements and timing of potential partnering, development collaboration or licensing transactions, merger, acquisitions, divestitures, capital raising activities or issuance of preferred stock;
- announcements of technological innovations or new products by us or our competitors;
- FDA and other regulatory actions;
- developments with respect to our or our competitors' patents or proprietary rights;
- public concern as to the safety of products developed by us or others; and
- changes in stock market analyst recommendations regarding us, other drug development companies or the pharmaceutical industry generally.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market

fluctuations may adversely affect the market price of our stock. Furthermore, because our common stock is traded on the OTCQB and has limited trading volume, an investment in our stock is not liquid.

Additional authorized shares of our common stock available for issuance may have dilutive and other material effects on our stockholders.

We are authorized to issue 100,000,000 shares of common stock. As of December 31, 2014, there were 40,885,411 shares of common stock issued and outstanding. However, the total number of shares of our common stock issued and outstanding does not include shares reserved in anticipation of the exercise of options, warrants or additional investment rights. As of December 31, 2014, we had stock options outstanding to purchase approximately 3,022,706 shares of our common stock, the exercise price of which ranges between $0.16 per share to $5.39 per share, warrants outstanding to purchase 46,706 shares of our common stock with an exercise price of $6.39, warrants outstanding to purchase 117,423 shares of our common stock with an exercise price of $1.91, and we have reserved shares of our common stock for issuance in connection with the potential exercise thereof. To the extent additional options are granted and exercised or additional stock is issued, the holders of our common stock will experience further dilution. At December 31, 2014, 495,519 shares remain available to grant under the 2005 Equity Incentive Plan.

In addition, in the event that any future financing or consideration for a future acquisition should be in the form of, be convertible into or exchangeable for, equity securities, investors will experience additional dilution.

Certain provisions of our certificate of incorporation and bylaws will make it difficult for stockholders to change the composition of our board of directors and may discourage takeover attempts that some of our stockholders may consider beneficial.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of the Company and our stockholders. These provisions include, among other things, the following:

- a classified board of directors with three-year staggered terms;
- advance notice procedures for stockholder proposals to be considered at stockholders' meetings;
- the ability of our board of directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- super majority voting requirements for the stockholders to modify or amend our bylaws and specified provisions of our certificate of incorporation, and
- the ability of our board of directors to issue up to 2,000,000 shares of preferred stock without stockholder approval.

These provisions are not intended to prevent a takeover, but are intended to protect and maximize the value of our stockholders' interests. While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable our board of directors to prevent a transaction that some, or a majority, of our stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which prohibits business combinations with interested stockholders. Interested stockholders do not include stockholders whose acquisition of our securities is pre-approved by our board of directors under Section 203.

We may issue additional shares of preferred stock that have greater rights than our common stock and also have dilutive and anti-takeover effects.

We have 2,000,000 shares of authorized preferred stock, the terms of which may be fixed by our Board of Directors. We presently have no outstanding shares of preferred stock. Our Board of Directors has

the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. If we raise additional funds to continue development of AEM-28 and its analogs, or operations, we may issue preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of common stock.

In connection with the Tax Benefit Preservation Plan ("Benefit Plan") dated June 24, 2014, between the Company and Computershare, our Board of Directors approved the designation of 1,000,000 shares of Series A Preferred Stock. The Benefit Plan and the exercise of rights to purchase Series A Preferred Stock, pursuant to the terms thereof, may delay, defer or prevent a change in control without the approval of the Board. In addition to the anti-takeover effects of the rights granted under the Benefit Plan, the issuance of preferred stock, generally, could have a dilutive effect on our stockholders. The Benefit Plan expires June 24, 2016.

We have not previously paid dividends on our common stock and we do not anticipate doing so in the foreseeable future.

We have not in the past paid any dividends on our common stock and do not anticipate that we will pay any dividends on our common stock in the foreseeable future. Any future decision to pay a dividend on our common stock and the amount of any dividend paid, if permitted, will be made at the discretion of our board of directors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease office space in a facility in Tempe, Arizona, which is an approximately 100,000 square foot facility designed and constructed for industrial purposes and is located in an industrial district. In July 2007, we entered into a five-year lease for 17,000 square feet of space in this Tempe facility, which became effective March 1, 2008. We amended this lease, effective March 1, 2013, to extend the lease for two additional years and reduce the square feet rented to 2,845. On October 1, 2014 we amended this lease to extend the term to February 29, 2016. We believe the facility is well-maintained and adequate for use through the end of our lease term.

Item 3. Legal Proceedings

In April 2009, we became aware of a *qui tam* complaint that was filed under seal by Jeffrey J. Bierman, as Relator/Plaintiff, on March 28, 2005 in the United States District Court for the District of Massachusetts against us and other companies that allegedly manufactured bone growth stimulation devices, including Orthofix International N.V., Orthofix, Inc., DJO Incorporated, Reable Therapeutics, Inc., the Blackstone Group, L.P., Biomet, Inc., EBI, L.P., EBI Holdings, Inc., EBI Medical Systems, Inc., Bioelectron, Inc., LBV Acquisition, Inc., and Smith & Nephew, Inc. By order entered on March 24, 2009, the court unsealed the amended complaint. The amended complaint alleges various causes of action under the federal False Claims Act and state and city false claims acts premised on the contention that the defendants improperly promoted the sale, as opposed to the rental, of bone growth stimulation devices. The amended complaint also includes claims against the defendants for, among other things, allegedly misleading physicians and purportedly causing them to file false claims and for allegedly violating the Anti-kickback Act by providing free products to physicians, waiving patients' insurance co-payments, and providing inducements to independent sales agents to generate business. The Relator is seeking civil penalties under various state and federal laws, as well as treble damages, which, in the aggregate could exceed the financial resources of the Company.

The United States Government declined to intervene or participate in the case. On September 4, 2009, Jeffrey J. Bierman, the Relator/Plaintiff, served the amended complaint to the Company. We sold our bone growth stimulation business in November 2003 and have had no further activity in the bone growth stimulation business since that date. We intend, in conjunction with the other defendants, to defend this matter vigorously and believe that at all times our billing practices in our bone growth stimulation business complied with applicable laws. On December 4, 2009, we, in conjunction with the other defendants, moved to dismiss the amended complaint with prejudice. In response to that motion, Realtor/Plaintiff filed a second amended complaint. On August 17, 2010, the Company, in conjunction with the other defendants, moved to dismiss the second amended complaint with prejudice. That motion was denied by the court on December 8, 2010. We, in conjunction with the other defendants, on January 28, 2011, filed answers to the second amended complaint. No trial date has been set. Discovery in the case is now open.

Because of the many questions of law and fact that may arise, the outcome of the litigation or its impact on our business, liquidity or financial condition is uncertain. If we are unable to successfully defend or otherwise dispose of this litigation, and the Relator/Plaintiff is awarded the damages sought, we would not be able to continue our business as it is presently conducted.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock commenced trading on Nasdaq on January 28, 1993 and was delisted by Nasdaq on July 21, 2011. Our common stock is currently traded on the OTCQB under the symbol "CAPS." The following table sets forth, for the fiscal periods indicated, the range of high and low sales prices of our common stock.

	2014		2013	
	High	Low	High	Low
First Quarter	$ 0.38	$ 0.24	$ 0.26	$ 0.17
Second Quarter	$ 0.33	$ 0.21	$ 0.24	$ 0.17
Third Quarter	$ 0.39	$ 0.21	$ 0.42	$ 0.17
Fourth Quarter	$ 0.27	$ 0.19	$ 0.38	$ 0.21

As of February 28, 2015, 40,885,411 shares of our common stock were outstanding and held by approximately 802 stockholders of record.

Dividends

We have never paid a cash dividend on our common stock. We do not intend to pay any cash dividends on our common stock in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Securities Authorized for Issuance under Equity Compensation Plan

The information required by Item 201(d) of Regulations S-K is provided under Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, which is incorporated herein by reference.

Item 6. Selected Financial Data

N/ A

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW OF BUSINESS

Company History

Prior to November 2003, we developed, manufactured and marketed proprietary, technologically advanced orthopedic products designed to promote the healing of musculoskeletal bone and tissue, with particular emphasis on fracture healing and spine repair. Our product lines, which included bone growth stimulation and fracture fixation devices, are referred to as our "Bone Device Business." In November 2003, we sold our Bone Device Business.

In August 2004, we purchased substantially all of the assets and intellectual property of Chrysalis Biotechnology, Inc. ("CBI"), including its exclusive worldwide license for Chrysalin for all medical indications. Subsequently, our efforts were focused on research and development of Chrysalin with the goal of commercializing our products in fresh fracture healing. (In March 2012, we returned all rights to the Chrysalin intellectual property and no longer have any interest in, or rights to Chrysalin.)

In February 2006, we purchased certain assets and assumed certain liabilities of AzERx, Inc. Under the terms of the transaction, we acquired an exclusive license for the core intellectual property relating to AZX100, an anti-fibrotic peptide. In 2014, we terminated the License Agreement with AzTE (Licensor) for the core intellectual property relating to AZX100 and returned all interest in and rights to the AZX100 intellectual property to the Licensor.

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (see Note 9 in Notes to Financial Statements included in this Annual Report on Form 10-K for more information) to develop Apo E mimetic peptide molecule AEM-28 and analogs.

Our development activities represent a single operating segment as they shared the same product development path and utilized the same Company resources. As a result, we determined that it is appropriate to reflect our operations as one reportable segment.

OrthoLogic Corp. commenced doing business under the trade name of Capstone Therapeutics on October 1, 2008, and we formally changed our name from OrthoLogic Corp. to Capstone Therapeutics Corp. on May 21, 2010.

In this Annual Report on Form 10-K, references to "we", "our", the "Company", "Capstone Therapeutics", "Capstone", and "OrthoLogic" refer to Capstone Therapeutics Corp. References to our Bone Device Business refer to our former business line of bone growth stimulation and fracture fixation devices, including the OL1000 product line, SpinaLogic®, OrthoFrame® and OrthoFrame/Mayo. References to our joint venture, or the "JV", refer to LipimetiX Development, LLC.

Description of the business

Capstone Therapeutics Corp. (the "Company" or "we") is a biotechnology company committed to developing a pipeline of novel peptides and other molecules aimed at helping patients with under-served medical conditions. Previously, we were focused on the development and commercialization of two product platforms: AZX100 and Chrysalin (TP508). Since March 2012, we no longer have any interest in or rights to Chrysalin. In 2012 we wound down internal operations, ceased clinical development of AZX100 in dermal scarring, formerly our principal drug candidate, and moved to a more virtual operating model. In 2014, we terminated the License Agreement for AZX100 intellectual property and returned all interest in and rights to the AZX100 intellectual property to the Licensor (AzTE).

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (the "JV") to develop Apo E mimetic peptide molecule AEM-28 and its analogs. The JV has a development plan to pursue regulatory approval of AEM-28, or an analog, as treatment for Homozygous Familial Hypercholesterolemia (granted Orphan Drug Designation by FDA in 2012) and other hyperlipidemic indications. The initial development plan extended through Phase 1a and 1b/2a clinical trials and was completed in the fourth quarter of 2014. The clinical trials have a safety primary endpoint and an efficacy endpoint targeting reduction of cholesterol and triglycerides.

The JV received allowance from regulatory authorities in Australia permitting the JV to proceed with the planned clinical trials. The Phase 1a clinical trial commenced in Australia in April 2014 and the Phase 1b/2a clinical trial commenced in Australia in June 2014. The clinical trials for AEM-28 are randomized, double-blinded, placebo-controlled studies to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of six escalating single doses (Phase 1a in healthy patients with elevated cholesterol) and multiple ascending doses of the three highest doses from Phase 1a (Phase 1b/2a in patients with hyper-cholesterolemia and healthy subjects with elevated cholesterol and high Body Mass Index). The Phase 1a clinical trial consisted of 36 patients and the Phase 1b/2a consisted of 15 patients. Both clinical trials were completed in 2014 and the Medical Safety Committee, reviewing all safety-related aspects of the clinical trials, observed a generally acceptable safety profile. As first-in-man studies, the primary endpoint was safety; yet efficacy measurements analyzing pharmacodynamics yielded statistical significance in the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints.

Concurrently with the development activities with AEM-28, the JV has performed limited pre-clinical studies that have identified an analog of AEM-28, referred to as AEM-28-02, and a new phospholipid formulation, that has the potential of equivalent efficacy, higher human dose toleration and an extended composition of matter patent life (application filed in 2014 with the U.S. Patent and Trademark Office).

The JV and Company intend to explore fundraising, partnering or licensing to obtain additional funding to continue development activities of AEM-28 and AEM-28-02.

The JV and the Company do not have sufficient funding at this time to continue additional material development activities of AEM-28 and its analogs. The JV may conduct future clinical trials in Australia, the USA, and other regulatory jurisdictions if regulatory approvals, additional funding, and other conditions permit. The JV may also fund research or studies to investigate AEM-28-02 and for treatment of acute coronary syndrome and other indications.

The Company intends to limit its internal operations to a virtual operating model while continuing monitoring and participating in the management of LipimetiX Development LLC's AEM-28 and analogs development activities and maintaining the required level of corporate governance and reporting required to comply with Securities and Exchange Commission rules and regulations.

Description of Our Peptide Drug Candidates.

Apo E Mimetic Peptide Molecule – AEM-28 and its analogs

Apolipoprotein E is a 299 amino acid protein that plays an important role in lipoprotein metabolism. AEM-28 is a 28 amino acid mimetic of Apo E and AEM-28-02 (an analog of AEM-28) is a 28 amino acid mimetic of Apo E (with an aminohexanoic acid group and a phospholipid) and both contain a domain that anchors into a lipoprotein surface while also providing the Apo E receptor binding domain, which allows clearance through the heparan sulfate proteoglycan (HSPG) receptors (Syndecan-1)in the liver. AEM-28 and AEM-28-02, as Apo E mimetics, have the potential to restore the ability of these atherogenic lipoproteins to be cleared from the plasma, completing the reverse cholesterol transport pathway, and thereby reducing cardiovascular risk. This is an important mechanism of action for AEM-28 and AEM-28-02. For patients that lack LDL receptors (Homozygous Familial Hypercholesterolemia-HoFH), or have hypercholesterolemia, AEM-28 or AEM-28-02 may provide a therapeutic solution. Our joint venture has an Exclusive License Agreement with the University of Alabama at Birmingham Research Foundation for AEM-28 and certain of its analogs.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, and expenses in our financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may differ from these estimates and assumptions. Our critical accounting policies are those that affect, or could affect our financial statements materially and involve a significant level of judgment by management.

Income Taxes: Accounting Standards Codification Topic 740 "Income Taxes" requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. In determining whether a valuation allowance is required, we take into account all evidence with regard to the utilization of a deferred tax asset, including past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred asset. We have evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets and have established a valuation allowance for all of our deferred tax assets of approximately $57 million at December 31, 2014.

In March 2014, LipimetiX Development, LLC (see Note 9 in the Financial Statements included in this Annual Report on Form 10-K for more information) formed a wholly-owned Australian subsidiary, Lipimetix Australia Pty Ltd, to conduct Phase 1a and Phase1b/2a clinical trials in Australia. Currently Australian tax regulations provide for a refundable research and development tax credit equal to 43.5% of qualified expenditures. Subsequent to the end of its Australian tax years, Lipimetix Australia Pty Ltd intends to submit claims for a refundable research and development tax credit. The transitional Australian tax periods/years granted for Lipimetix Australia Pty Ltd end on June 30, 2014, December 31, 2014 and thereafter December 31 of each succeeding year. For the tax period ended June 30, 2014, Lipimetix Australia Pty Ltd received a refundable research and development tax credit of AUD$227,000. For the tax period ended December 31, 2014 a AUD$242,000 refundable tax credit, for research and development expenditures has been recorded by LipimetiX Australia Pty Ltd, as it is more likely than not, that the recorded refundable research and development tax credit at December 31, 2014 will be approved and received.

Patents: Patent license rights were recorded at $1,045,000, their estimated fair value on the date they were acquired, August 3, 2012. Their cost is amortized on a straight-line basis over the key patent life of eighty months. At December 31, 2014, accumulated amortization totaled $379,000. If a change in conditions occurs, that indicates a material change in the future utility of the patent license rights, an evaluation will be performed to determine if impairment of the asset has occurred, and if so, the impairment will be recorded. Future utility of the patent license rights is dependent upon the Company's ability to raise additional funding to continue development of AEM-28 and its analogs or to complete a sale, licensing or other transactions.

Legal and Other Contingencies: As discussed in Part I, Item 3 of this Form 10-K under the heading "Legal Proceedings" and in Note 10, "Contingency – Legal Proceedings" in Notes to Financial Statements, the Company is subject to legal proceedings and claims that arise in the course of business. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to loss contingencies. However, the outcome of legal proceedings and claims brought against the Company are subject to significant uncertainty. Therefore, if the *qui tam* legal matter is resolved against the Company in excess of management's expectations, the Company's financial statements could be materially adversely affected.

As discussed in Note 9, "Joint Venture for Development of Apo E Mimetic Peptide Molecule AEM-28 and Analogs" in Notes to Financial Statements included in this Annual Report on Form 10-K, the Company entered into a joint venture in which it has contributed $6,000,000, and the noncontrolling interests have contributed certain patent license rights. Neither the Company nor the noncontrolling interests have an obligation to contribute additional funds to the joint venture or to assume any joint venture liabilities or to provide a guarantee of either joint venture performance or any joint venture liability. The financial position and results of operations of the joint venture are presented on a consolidated basis with the financial position and results of operations of the Company. Intercompany transactions have been eliminated. Joint venture losses will be recorded on the basis of common ownership equity interests (60% Company / 40% noncontrolling interests) until common ownership equity is reduced to $0. Subsequent joint venture losses will be allocated to the preferred ownership equity (100% Company). Subsequent to March 31, 2013, all joint venture losses are being allocated to the Company. The Company has a revolving loan agreement with the joint venture to advance the joint venture funds for operations in an amount not to exceed a net (net of expected tax credits or other funds obtained) of $700,000, with the net amount due June 30, 2015. Losses incurred by the joint venture in excess of the capital accounts of the joint venture will be allocated to the Company to the extent of net outstanding advances. At December 31, 2014, outstanding advances on the revolving loan agreement totaled $500,000.

Losses allocated to the noncontrolling interests represent an additional potential loss for the Company as the noncontrolling interests are not obligated to contribute assets to the joint venture to the extent they have a negative capital account and depending on the ultimate outcome of the joint venture, the Company could potentially absorb all losses associated with the joint venture. At December 31, 2014, losses totaling $667,000 have been allocated to the noncontrolling interests. The Company records a contingent loss when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to this loss contingency.

Fair value measurements: We determine the fair value measurements of our applicable assets and liabilities based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Stock based compensation: Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment", now Accounting Standards Codification Topic 718 "Stock Compensation" ("ASC 718"). ASC 718 requires all share-based payments, including grants of stock options, restricted stock units and employee stock purchase rights, to be recognized in our financial statements based on their respective grant date fair values. Under this standard, the fair value of each employee stock option and employee stock purchase right is estimated on the date of grant using an option pricing model that meets certain requirements. We currently use the Black-Scholes option pricing model to estimate the fair value of our share-based payments. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We use the historical volatility adjusted for future expectations. The expected life of the stock options is based on historical data and future expectations. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our stock options and stock purchase rights. The dividend yield assumption is based on our history and expectation of dividend payouts. The fair value of our restricted stock units is based on the fair market value of our common stock on the date of grant. Stock-based compensation expense recognized in our financial statements in 2006 and thereafter is based on awards that are ultimately expected to vest. We recognize compensation cost for an award with only service conditions that has a graded vesting schedule on a straight line basis over the requisite service period as if the award was, in-substance, a multiple award. However, the amount of compensation cost recognized at any date must at least equal the portion of grant-date fair value of the award that is vested at that date. For non-employees, this expense is recognized as the service is provided in accordance with ASC Topic 505-550 "Equity-Based Payments to Non-Employees." The amount of stock-based compensation expense in 2006 and thereafter is reduced for estimated forfeitures. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We evaluate the assumptions used to value stock awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past.

ASC 718 requires the benefits associated with tax deductions that are realized in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. Subsequent to the adoption of ASC 718 on January 1, 2006, we have not recorded any excess tax benefit generated from option exercises, due to our net operating loss carryforwards, which cause such excess to be unrealized.

Joint Venture Accounting: As discussed in Note 9 to Financial Statements included in this Form 10-K, "Joint Venture for Development of Apo E Mimetic Peptide Molecule AEM-28 and Analogs", the Company entered into a joint venture in which it has contributed $6,000,000, and the noncontrolling interests have contributed certain patent license rights. Neither the Company nor the noncontrolling interests have an obligation to contribute additional funds to the joint venture or to assume any joint venture liabilities or to provide a guarantee of either joint venture performance or any joint venture liability. The financial position and results of operations of the joint venture are presented on a consolidated basis with the financial position and results of operations of the Company. Intercompany transactions have been eliminated. Joint venture losses will be recorded on the basis of common ownership equity interests (60% Company / 40% noncontrolling interests) until common ownership equity is reduced to $0. Subsequent joint venture losses will be allocated to the preferred ownership equity (100% Company). Subsequent to March 31, 2013, all joint venture losses are being allocated to the Company. The Company has a revolving loan agreement with the joint venture to advance the joint venture funds for operations in an amount not to exceed a net (net of expected tax credits or other funds obtained) of $700,000, with the net amount due June 30, 2015. Losses incurred by the joint venture in excess of the capital accounts of the joint venture will be allocated to the Company to the extent of net outstanding advances.

Results of Operations Comparing Year Ended December 31, 2014 and 2013.

General and Administrative ("G&A") Expenses: G&A expenses related to our ongoing operations were $1,453,000 in 2014 compared to $1,169,000 in 2013. Administration expenses increased primarily due to costs related to the *qui tam* litigation, and investor relations activities.

Research and Development Expenses: Research and development expenses were $3,071,000 for 2014 compared to $3,124,000 for 2013. Our research and development expenses in 2014 and 2013 included the operating expenses of LipimetiX Development, LLC, which totaled (net of intercompany transactions) $2,354,000 for 2014, and $2,652,000 for 2013. The joint ventures' initial planned research activities have been substantially completed as of December 31, 2014.

Interest and Other Expenses (Income), Net: Interest and Other Expenses (Income), Net, decreased from $158,000 of Income in 2013 to $43,000 of Expense in 2014 due to the receipt of $152,000 in the first quarter of 2013 from the conversion of an insurance company, in which we were a policyholder, from mutual to private ownership versus $60,000 in 2014. In 2014 this income was offset by a foreign exchange loss of $120,000 related to our joint ventures' Australian activities.

Income Tax Benefit: Income tax benefit in 2014 consisted of a $400,000 refundable Australian research and development tax credit, as described in Notes 4 and 7 to the financial statements included in this Annual Report on Form 10-K, related to our joint ventures' Australian clinical trial activities.

Net Loss attributable to Capstone Therapeutics stockholders: We incurred a net loss in 2014 of $4.2 million compared to a net loss of $3.9 million in 2013. Net loss includes operations of LipimetiX Development, LLC, which totaled (net of intercompany transactions) $2,354,000 for 2014, and $2,652,000 for 2013, net of net loss allocated to noncontrolling interests of $0 for 2014 and $193,000 for 2013. The joint ventures' initial planned research activities have been substantially completed as of December 31, 2014.

Results of Operations Comparing Year Ended December 31, 2013 and 2012.

General and Administrative ("G&A") Expenses: G&A expenses related to our ongoing operations were $1,169,000 in 2013 compared to $1,764,000 in 2012. Administration expenses declined primarily due to a decrease in our lease expenses caused by a reduction in office space occupied, effective March 1, 2013, and the reduction from four employees to two employees in the second quarter of 2012.

Research and Development Expenses: Research and development expenses were $3,124,000 for 2013 compared to $2,385,000 for 2012. Our research and development expenses increased in 2013 compared to 2012 primarily due to the operating expenses of LipimetiX Development, LLC, which totaled (net of intercompany transactions) $2,652,000 for 2013, and $1,133,000 for 2012, partially offset by a decline of AZX100 research activity.

Interest and Other Income, Net: Interest and Other Income, Net, increased from $96,000 in 2012 to $158,000 in 2013 due to the receipt of $152,000 in the first quarter of 2013 from the conversion of an insurance company, in which we were a policyholder, from mutual to private ownership, while 2012 included a gain of $80,000 from the sale of lab equipment.

Net Loss attributable to Capstone Therapeutics stockholders: We incurred a net loss in 2013 of $3.9 million compared to a net loss of $3.6 million in 2012. The net loss from 2013 benefited from a reduction in internal operations, but this beneficial effect was offset by inclusion of the operating expenses of LipimetiX Development, LLC. Net loss includes operating expenses of LipimetiX Development, LLC, which totaled (net of intercompany transactions) $2,652,000 for 2013, and $1,133,000 for 2012, net of net loss allocated to noncontrolling interests of $193,000 for 2013 and $473,000 for 2012.

Liquidity and Capital Resources

With the sale of our Bone Device Business in November 2003, we sold all of our revenue producing operations. Since that time, we have primarily relied on our cash and investments to finance all our operations, the focus of which has been research and development of our product candidates.

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC ("JV") to develop Apo E mimetic peptide molecule AEM-28 and its analogs and we contributed $6.0 million through December 31, 2014 we have loaned an additional $500,000 to the JV. At December 31, 2014, we had cash and cash equivalents of $2.2 million.

We plan to continue our plan to limit internal operations in a virtual operating model in 2015, however, without additional funding, we will not continue development of AEM-28 and its analogs past completion of the limited projects currently under way. We are exploring strategic options for both the Company and our joint venture. Lack of additional funding would impair our ability to continue our current operations.

Funding permitting, our planned operations in 2015 consist of continuing monitoring and participating in the management of LipimetiX Development LLC's AEM-28 and its analogs development activities, and maintaining the required level of corporate governance and reporting required to comply with Securities and Exchange Commission rules and regulations.

Our future research and development and other expenses will vary significantly from prior periods and depend on the Company's decisions on future LipimetiX Development LLC operations and obtaining additional funding. We cannot currently predict the amount of funds that will be required to bring the *qui tam* action to a final resolution.

We will require additional funds if we chose to extend the development of AEM-28 and its analogs past the initial Phase 1a and Phase1b/2a clinical trials or to continue operations. We cannot currently predict the amount of funds that will be required if we chose to extend the development activities of AEM-28 and its analogs and to continue operations. In any event, to complete the clinical trials and supporting research and production efforts necessary to obtain FDA or comparable foreign agencies' approval for product candidates would require us to obtain additional capital. New sources of funds, including raising capital through the sales of our debt or equity securities, joint venture or other forms of joint development arrangements, sales of development rights, or licensing agreements, may not be available or may only be available on terms that would have a material adverse impact on our existing stockholders' interests.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our investment portfolio is used to preserve our capital until it is required to fund our operations. We do not hold any derivative financial instruments in our investment portfolio. We maintain a non-trading investment portfolio of investment grade securities that limits the amount of non-U.S. government obligations credit exposure of any one issue, issuer or type of instrument. Due to the short duration and conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk.

Item 8. Financial Statements and Supplementary Data

Consolidated balance sheets as of December 31, 2014 and December 31, 2013, consolidated statements of operations, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2014, together with the related notes and the report of Moss Adams LLP, our independent registered public accounting firm, are set forth on the "F" pages of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial and accounting officer, has reviewed and evaluated our disclosure controls and procedures (as defined in the Securities Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 10-K. Based on that evaluation, our management, including our principal executive officer and principal financial and accounting officer, has concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-K in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Capstone Therapeutics Corp is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a - 15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the 1992 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in the 1992 Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities Exchange Commission that permit the Company to provide only management's report in this annual report.

Management's Report on Changes in Internal Controls Over Financial Reporting

There were no changes in our internal controls over financial reporting during the fiscal quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

INFORMATION CONCERNING DIRECTORS

On April 28, 2014, the Board of Directors increased the number of directors to four and Eric W. Fangmann was elected to fill the fourth Board seat at the Company's Annual Meeting held on June 12, 2014.

John M. Holliman, III

John M. Holliman III, 61, has served as Executive Chairman and Principal Executive Officer of the Company since April 2006 and has served as a director of the Company since September 1987 and as Chairman of the Board of Directors since August 1997. Since February 1993 he has been a general partner of entities which are the general partners of Valley Ventures, LP (formerly known as Arizona Growth Partners, LP), Valley Ventures II, LP, Valley Ventures III, LP, Valley Ventures III Annex, LP, all of which are venture capital funds that invest principally in life science companies.

John M. Holliman, III has over thirty years of business experience, including service on the boards of over forty companies, commercial lending experience with major financial institutions, and has been active in venture capital financing for over thirty years, concentrating in the medical/biotech industries. Mr. Holliman earned a BBA in Finance and a MBA from Southern Methodist University and a Master of International Management from the Thunderbird School of Global Management. During his career Mr. Holliman has gained substantial executive and board level experience in business, finance and operations. The Board believes the experience and knowledge of Mr. Holliman qualifies him to serve on our board.

Eric W. Fangmann (1)

Eric W. Fangmann, age 45, has served as a director of the Company since June 2014. Mr. Fangmann has been the Chief Financial Officer for Lloyd I. Miller, III, since 2011. Mr. Fangmann is also the Acting President and Acting Chief Financial Officer for Pharmos Corporation, a pharmaceutical company, since 2012. Mr. Fangmann was previously an independent accounting and finance consultant who was principally engaged by public and private entities to assist in independent analysis and other projects. Mr. Fangmann was appointed by the Board of Directors of Synergy Brands Inc. in 2011 as its chief financial officer and treasurer, and was appointed as officer and/or director of certain of its subsidiaries, to serve in such capacities on an interim basis in connection with certain filings under Chapter 7 of the U.S. bankruptcy code. From 2005 to 2010, Mr. Fangmann served as Executive Vice President Technology of Frontera Investment, Inc., a publicly held cash and loan company. Prior to that, Mr. Fangmann has served principally in senior management accounting and finance functions for both public and private entities such as The Upper Deck Company, LLC, PriceSmart, Inc. and Teletrac, Inc. From 1992 to 1996, Mr. Fangmann worked in the audit division of Arthur Andersen. Mr. Fangmann also serves on the board of directors of Alliance Semiconductor and Global Agora, LLC. Mr. Fangmann holds a B.S. in Accountancy - Cum Laude from the University of Missouri, Columbia, Missouri.

Mr. Fangmann was introduced and recommended to the Board as a nominee for director by Lloyd I. Miller, III, a significant shareholder. The Board believes Mr. Fangmann's diverse financial experience brings important experience to the Board and qualifies him to serve on our Board.

Fredric J. Feldman, Ph.D. (2) (3)

Fredric J. Feldman, Ph.D., 74, has been the President of FJF Associates, a consultant to health care venture capital and emerging companies, since February 1992 and has served as a director of the Company since 1991. From September 1995 to June 1996, he was the Chief Executive Officer of Biex, Inc., a women's healthcare company. He served as Chief Executive Officer of Oncogenetics, Inc., a cancer genetics reference

laboratory, from 1992 to 1995. Between 1988 and 1992, Dr. Feldman was the President and Chief Executive Officer of Microgenics Corporation, a medical diagnostics company.

Dr. Feldman received his Ph.D. in analytical chemistry from the University of Maryland. He has been a director of a number of public and private companies involved in the healthcare industry. The Board believes that Dr. Feldman's over 40 years of operating, scientific and business experience in the medical/biotech industry qualifies him for service on our board.

Elwood D. Howse, Jr. (1) (2) (3)

Elwood D. Howse, Jr., 75, has served as a director of the Company since September 1987. In 1982, Mr. Howse founded Cable, Howse and Ragen, investment banking and stock brokerage firm, subsequently known as Ragen MacKenzie. In 1977, Mr. Howse co-founded Cable & Howse Ventures, an early stage venture capital firm focused on technology. In 1976, he served as Vice President, Corporate Finance, for Foster & Marshall, a northwest stock brokerage firm. In 1974 he was the Chief Financial Officer of Seattle Stevedore Company and the Miller Produce Company. Mr. Howse has served as a corporate director and advisor to various public, private and non-profit enterprises. He served on the board of the National Venture Capital Association and is past President of the Stanford Business School Alumni Association. He currently serves on the boards of directors of Formotus, Inc., BeneSol Corporation, Stella Therapeutics, Inc. and not-for-profit, Junior Achievement of Washington. Mr. Howse holds a BS in Engineering from Stanford University and an MBA from Stanford Graduate School of Business.

The Board believes Mr. Howse's education and experience, particularly Mr. Howse's financial experience, which qualifies him to be designated as our financial expert on our Audit Committee, brings important financial and business experience to the board and qualifies him to serve on our board.

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(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance/Nominating Committee

The Audit Committee, which is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), consists of Mr. Howse (Chairman), and Mr. Fangmann.

In particular, all Audit Committee members possess the required level of financial literacy, at least one member of the Audit Committee meets the current standard of requisite financial management expertise and the Board of Directors has determined that Elwood D. Howse, Jr., the Chairman of the Audit Committee, is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K of the Securities and Exchange Commission (the "SEC"). Additionally, Mr. Howse and Mr. Fangmann are "independent directors", as defined in Nasdaq Listing Rule 5605(a)(2).

EXECUTIVE OFFICERS

The employment of Mr. Holliman and Dr. Steer was terminated effective October 31, 2011. They continue to perform many of their previous duties and responsibilities under consulting agreements.

The following table sets forth information regarding our executive officers and significant consultant:

Name	Age	Title
John M. Holliman, III	61	Executive Chairman and Principal Executive Officer
Randolph C. Steer, MD, Ph.D.	65	Consultant
Les M. Taeger	64	Senior Vice President, Chief Financial Officer and Principal Financial and Accounting Officer

John M. Holliman, III, became Executive Chairman and Principal Executive Officer of the Company on April 5, 2006 and has served as a director of the Company since September 1987 and as Chairman of the Board of Directors since August 1997. Since February 1993 he has been a general partner of entities, which are the general partners of Valley Ventures, LP (formerly known as Arizona Growth Partners, LP), Valley Ventures II, LP, Valley Ventures III Annex, LP, all of which are venture capital funds that invest principally in life science companies.

Randolph C. Steer, MD, Ph.D. served as President of the Company from April 5, 2006 until October 31, 2011. Since then, Dr. Steer has provided scientific, regulatory and clinical consulting services to the Company. Dr. Steer has been an independent pharmaceutical, biotechnology and medical devices consultant since 1989, and has provided services to the Company since 2002. He has a broad scientific, medical and business background, including extensive experience in pre-clinical, clinical and regulatory affairs, having held key management positions in leading corporations and having served as an advisor to many companies in the United States and abroad. Dr. Steer has also advised numerous venture capital firms, investment banks and independent investors on the commercial development of drugs, biologics, diagnostics and medical devices. He has served as Associate Director of Medical Affairs at Marion Laboratories; Medical Director at Ciba Consumer Pharmaceuticals (Ciba-Geigy Corporation); Vice President, Senior Vice President and Member of the Executive Committee at Physicians World Communications Group; Chairman, President and Chief Executive Officer of Advanced Therapeutics Communications International, a global drug regulatory group, and Chairman and Chief Executive Officer of Vicus.com, Inc. He is a member of the Board of Trustees of the Mayo Clinic and the Board of Directors of Techne Corporation and Vital Therapies, and was a member of the Board of Directors of BioCryst Pharmaceuticals from 1994 to 2009. Dr. Steer received his MD degree from the Mayo Medical School and his Ph.D. from the University of Minnesota, where he also completed a residency and subspecialty training in clinical and chemical pathology. He is a Fellow of the American College of Clinical Pharmacology.

Les M. Taeger joined the Company as Senior Vice President and Chief Financial Officer on January 16, 2006. Mr. Taeger most recently served as Chief Financial Officer of CardioTech International, Inc. (currently AdvanSource Biomaterials Corporation) ("CardioTech"). CardioTech was a publicly-traded, medical device company that developed, manufactured and sold advanced products for the treatment of cardiovascular disease. From September 2000 to February 2004, when Mr. Taeger became Chief Financial Officer of CardioTech, Mr. Taeger served as Chief Financial Officer of Gish Biomedical, Inc. ("Gish"). Gish, which became a subsidiary of CardioTech pursuant to a merger transaction involving the companies in April 2003, specialized in the manufacture and sale of products used in open-heart surgery, vascular access and orthopedic surgery. Prior to his employment with CardioTech and Gish, Mr. Taeger was employed for over five years as Chief Financial Officer of Cartwright Electronics, Inc., a division of Meggitt, PLC. Mr. Taeger is a Certified Public Accountant, with a Bachelor's degree in accounting.

CORPORATE GOVERNANCE AND CODE OF ETHICS

The Company's code of ethics applies to all of its employees and has particular sections that apply only to its principal executive officer and senior financial officers. The Company has posted the text of its code of ethics on its website (www.capstonethx.com), under the "Investors" section under the link "Corporate Governance" "Code of Ethics". In addition, the Company will promptly disclose on its website (1) the nature of any amendment to its code of ethics that applies to its principal executive officer and senior financial officers, and (2) the nature of any waiver, including an implicit waiver, from a provision of its code of ethics that is granted to one of these specified officers, the name of such officer who is granted the waiver and the date of the waiver.

The full Board of Directors addresses all matters regarding corporate governance (that is, the relationships of the Board, the stockholders and management in determining the direction and performance of the Company) and the procedural rules regarding the operation of the Board itself. As such, the Board reviews all proposals submitted by stockholders for action at the annual stockholders' meeting.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors, its executive officers and any persons holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the SEC. Specific due dates for these reports have been established, and the Company is required to disclose any failure to file by these dates. The Company believes that all of these filing requirements were satisfied during the year ended December 31, 2014, except that the Form 4 reporting on February 6, 2014 for stock option grants to Frederic J. Feldman, John M. Holliman, Elwood D. Howse, Randolph C. Steer and Les M. Taeger for 12,000, 22,000, 12,000, 22,000 and 15,000 shares respectively were not timely filed, but were filed on February 13, 2014.

In making these disclosures, the Company has relied solely on written representations of those persons it knows to be subject to the reporting requirements and copies of the reports that they have filed with the SEC.

A list of directors, executive officers and persons holding more than 10% of the Company's Common Stock is included in Item 12 under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Annual Report on Form 10-K.

Item 11. Executive Compensation

COMPENSATION OF DIRECTORS

The following table sets forth compensation awarded to, earned by or paid to the Company's directors during the last fiscal year. Mr. John Holliman, III is not included in this table and his compensation as a director is included in the Summary Compensation Table in the Executive Compensation section in this Annual Report on Form 10-K.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Fredric J. Feldman, Ph.D.	49,000		4,000	-	-	-	53,000
Elwood D. Howse, Jr.	49,000		4,000	-	-	-	53,000
Eric W. Fangmann	12,000		8,000	-	-	-	20,000

(1) Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described in Note 5 to the Financial Statements included in this Annual Report on Form 10-K.

During the year ended December 31, 2014, the Company paid directors Board Fees of $6,000 per quarter. All directors are eligible for a grant of non-qualified stock options pursuant to the Company's 2005 Equity Incentive Plan. On June 10, 2005, the Board of Directors approved an annual award to each director of a non-qualified stock option to purchase 10,000 shares of the Company's Common Stock. The Company granted to each director (Holliman, Feldman, Howse) non-qualified options to acquire 10,000 shares at an exercise price of $0.26 per share on January 1, 2014 (fair value of $2,000). The Company also granted to Mr. Howse and Dr. Feldman non-qualified stock options to acquire 12,000 shares at an exercise price of $0.30 per share on February 6, 2014 (fair value of $2,000), Mr. Holliman non-qualified stock options to acquire 22,000 shares at an exercise price of $0.30 per share on February 6, 2014 (fair value $5,000), and Mr. Fangmann, non-qualified stock options to acquire 50,000 shares at an exercise price of $0.21 on June 12, 2014 (fair value $8,000). These options vested immediately and were granted at the closing market price on the date of grant. All options have been granted with ten-year terms.

The Board of Directors also approved an award on January 1, 2014, to each director (Holliman $15,000, Feldman $25,000, Howse $25,000) in lieu of the annual award of the Company's restricted common stock.

Director Outstanding Equity Awards at Fiscal Year-End

Name		Option Awards				
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Options Exercise Price ($)	Option Expiration Date
(a)		(b)	(c)	(d)	(e)	(f)
John M. Holliman, III		200,000			1.75	5/12/2016
		50,000			1.02	2/21/2018
		125,000			0.45	2/3/2019
		100,000			0.82	2/4/2020
		25,000			0.70	10/30/2018
		65,000			0.17	5/18/2022
		65,000			0.16	8/9/2022
		51,000			0.21	2/28/2023
	*	20,167	1,833		0.30	2/6/2024
Eric W. Fangmann		50,000			0.24	6/12/2024
Various directors:						
(1) (2) (3)		10,000			4.90	1/2/2016
(1) (2) (3)		25,000			1.75	5/12/2016
(1) (2) (3)		10,000			1.43	1/1/2017
(1) (2) (3)		10,000			1.35	1/1/2018
(1) (3)		25,000			0.70	10/30/2018
(1) (2) (3)		10,000			0.42	1/1/2019
(1) (2) (3)		10,000			0.72	1/1/2020
(1)(2)(3)		10,000			0.58	1/1/2021
(1) (2) (3)		10,000			0.26	1/1/2022
(1) (2)		35,000			0.17	5/18/2022
(1) (2)		42,500			0.16	8/9/2022
(1) (2) (3)		10,000			0.17	1/1/2023
(1) (3)		27,000			0.21	2/28/2023
(1)(2)(3)		10,000			0.26	1/1/2024
(1)(3)	*	11,000	1,000		0.30	2/6/2024
Feldman, Fred (1)						
Holliman, John (2)		* Vest on 2/6/2015				
Howse, Elwood (3)		All other directors options were fully vested on 12/31/2014				

EXECUTIVE COMPENSATION

The Compensation Committee's Conclusion

The Compensation Committee, at its meeting held at the beginning of each fiscal year, formulates its recommendations regarding which compensation components will be adjusted for the upcoming year and what the performance bonus for the prior year will be.

Board Approval

At the first Compensation Committee meeting of the year, the Compensation Committee reviews the Executive Chairman's and other executive officers' compensation and bonuses and presents its recommendations to the Board of Directors. The final total compensation package decision regarding the Executive Chairman is made by the Independent Directors in an Executive Session without the Executive Chairman or other members of management present, and the final decisions on other executives' total compensation packages are made by the full Board of Directors.

The following discussion is provided to facilitate stockholder understanding of the named executive officer compensation information included in this Annual Report on Form 10-K.

Officer and Key Consultant Compensation

On October 13, 2011, the Company's Board of Directors (the "Board") adopted a plan to preserve cash during ongoing partnering efforts. Included in the actions taken was the termination of the employment of John M. Holliman, III, Executive Chairman and Randolph C. Steer, MD, Ph.D., President. These individuals have continued as consultants, rather than as employees, at consulting rates which would equate to approximately $100,000 per year for Mr. Holliman and $120,000 per year for Dr. Steer. As employees, their base compensation had been $200,000 for Mr. Holliman and $325,000 for Dr. Steer. Les M. Taeger, Chief Financial Officer and Senior Vice President has continued as an employee, but his base compensation was reduced from $242,000 per year to $120,000 (increased to $135,000 for 2014) per year. All of these officers had also been eligible for an annual bonus based on individual and Company performance goals of up to 40% of their base compensation. The Board's actions included cancellation of the Company's bonus plan. The vested outstanding stock options held by each executive will continue to be exercisable while such executive is serving as a consultant to the Company.

Equity-Based Compensation

We provide a certain level of cash compensation to each executive as both a short-term reward and to focus executive performance on short-term goals that are part of our long-term strategies. Additionally, we use a combination of stock option grants and common stock awards to generate a commitment to, and a long-term investment in, our Company. Grants and awards were determined based on the position and competitive factors, as well as substantial compensation reductions effective October 31, 2011.

Stock Option Grants

In 2014, the Company granted options to employees to purchase 74,000 shares of the Company's Common Stock with the exercise price determined by the closing market price on the date of grant ($0.26 to $0.30) and an aggregate grant date fair value of $16,000. These grants included grants to the named executives (Holliman 32,000 shares, Steer 22,000 shares and Taeger 15,000 shares).

Common Stock Awards

The Company did not grant any common stock awards in 2014.

Fringe Benefits, Perquisites and Retirement Benefits.

Our executive employee participates in group health, dental, life, and disability programs on the same basis as other employees. No perquisites are provided to executives that in aggregate exceed $10,000 per year.

Joint Venture Bonus Plan

On August 9, 2012, our Board approved a performance-based incentive compensation plan (the "Plan") for our executive and consultants who were primarily responsible for identifying the investment opportunity for the development of Apo E mimetic peptide AEM-28 and its analogs, a class of Cardiovascular drugs targeting indications related to lowering blood cholesterol levels, completing the formation of the joint venture, LipimetiX Development, LLC (the "JV"), and who will participate in the management of the JV.

The Plan provides for a bonus pool, shared 40% by Mr. Holliman, 40% by Dr. Steer and 20% by Mr. Taeger, of 2.5% of the cash or in-kind distributions from the JV to the Company after the Company has received the return of its initial $6,000,000 investment. The individuals' interest in the bonus pool vested 50% upon Board approval of the Plan (August 9, 2012) and vested 50% upon the presentation by the JV to its Members of quantitative/qualitative safety and efficacy results from all protocol-designated endpoints of the AEM-28 Phase 1b/2a clinical trial. The bonuses are fully vested at December 31, 2014; however, no amounts have been earned as of December 31, 2014.

SUMMARY COMPENSATION TABLE

The following table sets forth, with respect to the years ended December 31, 2014, 2013 and 2012, compensation awarded to, earned by or paid to the Company's principal executive officer, principal financial officer and key consultant who were serving at the end of the last completed fiscal year (the "named executive officers").

Name	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (g)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)		(h)	(i)	(j)
John M. Holliman, III Executive Chairman (Principal Executive Officer)	2014	100,000	-	-	7,000	-	-	31,000(1)	138,000
	2013	100,000	-	-	7,000	-	-	41,000(1)	148,000
	2012	100,000	-	3,000	14,000	-	-	16,000(1)	133,000
Randolph C. Steer, MD, Ph.D., Consultant (former President)	2014	120,000	15,000	-	5,000	-	-	-	140,000
	2013	120,000	-	-	9,000	-	-	-	129,000
	2012	120,000	25,000	-	12,000	-	-	-	157,000
Les M. Taeger Chief Financial Officer (Principal Financial Officer)	2014	135,000	-	-	3,000	-	-	-	138,000
	2013	120,000	-	-	6,000	-	-	-	126,000
	2012	120,000	25,000	-	8,000	-	-	-	153,000

1. Mr. Holliman is a member of the Board of Directors and as a director, received compensation of $31,000, $41,000 and $16,000, in cash, in 2014, 2013 and 2012, respectively, and an annual grant of an option to purchase 10,000 shares of the Company's Common Stock. Mr. Holliman received total director's compensation (Board fees, stock awards and option grants) of $38,000, $48,000 and $20,000 in 2014, 2013 and 2012, respectively, as more fully described in the Compensation of Directors section of this Annual Report on Form 10-K. Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described, for 2014, in Note 5 to the Financial Statements included in this Annual Report on Form 10-K, for 2013, in Note 5 to our Annual Report on form 10-K filed with the Securities and Exchange Commission on March 27, 2014 and for 2012, in Note 5 to the Annual Report on form 10-K filed with the Securities and Exchange Commission on March 14, 2013.

OPTION GRANTS / STOCK AWARDS

The following table sets forth information about stock option grants and stock awards during the last completed fiscal year to the executive officers named in the Summary Compensation Table.

Grants of Plan-based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards (1) ($)
(a)	(b)	(i)	(j)	(k)	(l)
John M. Holliman, III Executive Chairman	1/1/14	-	10,000	0.26	2,000
	2/6/14	-	22,000	0.30	5,000
Randolph C. Steer, MD, Ph.D. Consultant	2/6/14	-	22,000	0.30	5,000
Les M. Taeger Chief Financial Officer	2/6/14	-	15,000	0.30	3,000
		-			

Fair value of the grants at the date of the grants was determined using the Black-Scholes model as described in Note 5 to the Financial Statements included in this Annual Report on Form 10-K.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name		Option Awards			
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date
(a)		(b)	(c)	(e)	(f)
John M. Holliman		10,000	-	4.90	1/2/2016
		25,000	-	1.75	5/12/2016
		200,000	-	1.75	5/12/2016
		10,000	-	1.43	12/31/2017
		10,000	-	1.35	12/31/2018
		50,000	-	1.02	2/21/2018
		25,000	-	0.70	10/30/2018
		10,000	-	0.42	1/1/2019
		125,000	-	0.45	2/3/2019
		10,000	-	0.72	1/1/2020
		100,000		0.82	2/4/2020
		10,000	-	0.58	1/1/2021
		10,000	-	0.26	1/1/2022
		65,000	-	0.17	5/18/2022
		65,000	-	0.16	8/9/2022
		10,000	-	0.17	1/1/2023
		51,000	-	0.21	2/28/2023
		10,000	-	0.26	1/1/2024
	*	20,167	1,833	0.30	2/6/2024
Randolph C. Steer, MD, Ph.D.		200,000	-	1.75	5/12/2016
		50,000	-	1.53	5/21/2017
		50,000	-	1.02	2/21/2018
		75,000	-	0.45	2/3/2019
		50,000	-	0.82	2/4/2020
		50,000	-	0.67	1/17/2021
		65,000	-	0.17	5/18/2022
		65,000		0.16	8/9/2022
		51,000	-	0.21	2/28/2023
		10,000	-	0.35	10/25/2023
	*	20,167	1,833	0.3	2/6/2024

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name		Option Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
(a)		(b)	(c)	(e)	(f)
Les M. Taeger		150,000	-	5.15	1/16/2016
		150,000	-	1.70	6/2/2016
		14,706	-	1.02	2/21/2018
		50,000	-	0.45	2/3/2019
		35,000	-	0.82	2/4/2020
		25,000	-	0.67	1/17/2021
		45,000	-	0.17	5/18/2022
		45,000	-	0.16	8/9/2022
		29,000	-	0.21	2/28/2023
		10,000	-	0.35	10/25/2023
	*	13,750	1,250	0.30	2/6/2024

* Vest on 2/6/2015

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, AND CHANGE-IN-CONTROL ARRANGEMENTS

Effective April 5, 2006, Mr. John M. Holliman, III, became Executive Chairman and Principal Executive Officer. On May 12, 2006, the Company entered into an agreement to compensate Mr. Holliman for his services as the Company's Executive Chairman and principal executive officer (the "Holliman Agreement").

Effective October 31, 2011, the employment of Mr. Holliman was terminated, which resulted in the acceleration of the vesting of the options to purchase shares of the Company's common stock held by Mr. Holliman, so that his options became exercisable, and payment of his severance benefit. Subsequent to October 31, 2011, Mr. Holliman has continued his role as Executive Chairman under a consulting agreement, which provides for compensation at an annual rate of $100,000. Mr. Holliman did not receive a bonus in 2014.

Effective April 5, 2006, Randolph C. Steer, MD, Ph.D., became President of the Company. Dr. Steer has performed services for the Company since 2002. On May 12, 2006, the Company also entered into an agreement with Randolph C. Steer, MD, Ph.D., to compensate Dr. Steer for his services as the Company's President and Chief Operating Officer (the "Steer Agreement").

Effective October 31, 2011, the employment of Dr. Steer was terminated which resulted in the acceleration of the vesting of the options to purchase shares of the Company's common stock held by Dr. Steer, so that his options became exercisable, and payment of his severance benefits. Subsequent to October 31, 2011, Dr. Steer has continued to provide services under a consulting agreement, which provides for compensation at an annual rate of $120,000. Dr. Steer received a $15,000 bonus in 2014.

On January 10, 2006, the Company entered into an employment agreement with Les M. Taeger, dated as of January 10, 2006, effective as of January 16, 2006 (the "Taeger Employment Agreement"), pursuant to which Mr. Taeger serves as the Company's Senior Vice President / Chief Financial Officer. Under the Taeger Employment Agreement, Mr. Taeger may be terminated at any time, with or without cause, at the option of either the Company or Mr. Taeger. Mr. Taeger receives medical, dental and other fringe benefits generally granted to the Company's senior management.

Effective October 31, 2011, Mr. Taeger's annual base salary was reduced to $120,000 and the Company's bonus plan was terminated. Mr. Taeger did not receive a bonus in 2014. Mr. Taeger's salary for 2014 was increased to $135,000.

Under the Company's stock option plans, upon the occurrence of a merger in which the Company is not the surviving entity, a sale of substantially all of the assets of the Company, an acquisition by a third party of 100% of the Company's outstanding equity securities or a similar reorganization of the Company, 75% of all unvested options will vest, with the balance vesting equally over 12 months or according to the individual's vesting schedule, whichever is earlier. If the option holder loses his position with the Company as a result of the merger or sale, 100% of his options will immediately vest. Additionally, the Company's 1997 Stock Option Plan and 2005 Equity Incentive Plan provide that, upon a merger, consolidation or reorganization with another corporation in which the Company is not the surviving corporation, outstanding options shall be substituted on an equitable basis for options for appropriate shares of the surviving corporation, or optionees shall receive cash in exchange for cancellation of outstanding options.

At December 31, 2014, unvested options held by named executive officers had no intrinsic value and accelerated vesting clauses, if triggered at December 31, 2014, would have provided no additional compensation to the named executive officers.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock at February 28, 2015 with respect to (i) each person known to the Company to own beneficially more than five percent of the outstanding shares of the Company's Common Stock, (ii) each director of the Company, (iii) each of the named executive officers and (iv) all directors and executive officers of the Company as a group. At February 28, 2015 there were 40,885,411 shares of the Company's Common Stock outstanding.

	Common Stock Beneficially Owned (1)	
Beneficial Owner	Number	Percent of Class
Eric W. Fangmann (2)	100,000	less than 1%
Fredric J. Feldman (3)	532,064	1.3
John M. Holliman, III (4)	1,380,170	3.3
Elwood D. Howse, Jr. (5)	529,203	1.3
Randolph C. Steer 65)	783,298	1.9
Les M. Taeger (7)	663,280	1.6
BVF Group (8)	7,755,688	19.0
Lloyd Miller, III (9)	7,926,389	19.4
All directors and executive officers as a group (10)	3,988,015	8.9

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares, which may be acquired upon exercise of stock options which are currently exercisable or which become exercisable within 60 days of the date of the table, are deemed beneficially owned by the optionee. Except as indicated by footnote, and subject to community property laws where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(2) Includes 100,000 shares Mr. Fangmann has a right to acquire upon exercise of stock options.

(3) Includes 306,500 shares Dr. Feldman has a right to acquire upon exercise of stock options. Voting and investment power shared with spouse.

(4) Includes 868,000 shares Mr. Holliman has a right to acquire upon exercise of stock options.

(5) Includes 306,500 shares Mr. Howse has a right to acquire upon exercise of stock options.

(6) Includes 738,000 shares Dr. Steer has a right to acquire upon exercise of stock options.

(7) Includes 618,706 shares Mr. Taeger has a right to acquire upon exercise of stock options.

(8) BVF Group (Biotechnology Value Fund, L.P., Biotechnology Value Fund II, L.P. BVF Investments, L.L.C., Investment 10, L.L.C., BVF Partners, L.P., BVF Inc.) is not a related party or otherwise affiliated with the Company, its directors or officers, and the principal business office of the Reporting Persons comprising the Group is located at 900 North Michigan Avenue, Suite 1100, Chicago, IL 60611.

(9) Lloyd Miller, III, is not a related party or otherwise affiliated with the Company, its directors or officers, except that Lloyd Miller, III, recommended Eric W. Fangmann to be a Company Board of Director member and Eric W. Fangmann is the Chief Financial Officer of various business entities associated with Mr. Miller, and the principal business office of the Reporting Person is located at 222 Lakeview Avenue, Suite 160-365, West Palm Beach, Florida 33401

(10) Includes 2,937,706 shares directors and executive officers have a right to acquire upon exercise of stock options.

The address of each of the listed stockholders, unless noted otherwise, is in care of Capstone Therapeutics Corp., 1275 West Washington Street, Suite 104, Tempe, AZ 85281.

EQUITY COMPENSATION PLANS

The following provides tabular disclosure of the number of securities to be issued upon the exercise of outstanding options, the weighted average exercise price of outstanding options, and the number of securities remaining available for future issuance under equity compensation plans as of December 31, 2014, aggregated into two categories - plans that have been approved by stockholders and plans that have not. See Note 5 to the Financial Statements included in this Annual Report on Form 10-K for additional information on our equity compensation plans.

Plan Category:	Number of securities to be issued upon exercise of outstanding options, warrants and rights (c)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity Compensation Plans approved by Security Holders	3,022,706	$1.06	495,519
Equity Compensation Plans not approved by Security Holders	N/A	N/A	N/A
Total	3,022,706	$1.06	495,519

Item 13. Certain Relationships and Related Transactions, and Director Independence

In 2006 Mr. Holliman became Executive Chairman and Principal Executive Officer of the Company and is no longer an independent director under Nasdaq Listing Rule 5605(a)(2). Currently, the Board of Directors is composed of three outside directors who are independent directors under Nasdaq Listing Rule 5605(a)(2) and one director who is not an independent director under Nasdaq Listing Rule 5605(a)(2).

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Board of Directors reviews transactions with related parties, but has no formal policies in place with respect to such reviews or the approval of such transactions. During 2014 there were no reported related party transactions with directors, executive officers or other related parties, which might have required disclosure under SEC rules or which were otherwise material to the Company.

The Company has entered into indemnity agreements with all of its directors and officers for the indemnification of and advancing of expenses to such persons to the fullest extent permitted by law.

Item 14. Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed to the Company for the years ended December 31, 2014 and December 31, 2013 by our principal accounting firm Moss Adams LLP.

Type of Fee	Amount	
	2014	2013
Audit Fees (1)	$ 99,000	$ 111,000
Audit-Related Fees (2)	4,000	-
Total Audit and Audit-Related Fees	103,000	111,000
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total Fees	$ 103,000	$ 111,000

(1) Audit fees include fees for services rendered in connection with the audits of the Company's financial statements for the fiscal years ended December 31, 2014 and 2013, and reviews of the financial statements included in the Company's quarterly reports on Form 10-Q during the applicable fiscal year.
(2) Audit-related fees would include fees for services rendered for matters such as a business combination, sales of shares of the Company's common stock, and responses to accounting and reporting-related matters.
(3) Tax fees would include fees for services rendered for tax compliance, preparation of original and amended tax returns, claims for refunds and other tax services.
(4) Our principal accounting firms did not perform nor bill the Company for any other services during the fiscal years ended December 31, 2014 and 2013 that are appropriately classified as "All Other Fees."

The Audit Committee has concluded that the services provided by the principal accounting firm that were not related to the audit of the Company's financial statements were at all times compatible with maintaining that firm's independence.

Consistent with the rules of the Securities and Exchange Commission regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation for, and overseeing the work of, the independent auditor. In recognition of this responsibility, the Audit Committee has included in its charter the responsibility to pre-approve "all auditing services and permitted non-auditing services proposed to be performed by the independent auditor, subject to the de minimis exceptions for non-audit services that were not recognized as non-audit services at the time of engagement and which are subsequently approved by the committee prior to completion of the audit." No fees were paid to the independent auditor pursuant to the "de minimis" exception to the foregoing pre-approval policy in 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements.

The following financial statements of Capstone Therapeutics Corp. and Report of our Independent Registered Public Accounting Firm are presented in the "F" pages of this report:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets - December 31, 2014 and 2013.

Consolidated Statements of Operations - Each of the years in the two-year period ended December 31, 2014.

Consolidated Statements of Changes in Equity - Each of the years in the two-year period ended December 31, 2014.

Consolidated Statements of Cash Flows - Each of the years in the two-year period ended December 31, 2014.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules have been omitted since they are not applicable.

3. All management contracts and compensatory plans and arrangements are specifically identified on the attached Exhibit Index.

(b) Exhibits

See the Exhibit Index following the signature page of this report, which Index is incorporated herein by reference.

(c) Financial Statements and Schedules - See Item 15(a)(1) and Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPSTONE THERAPEUTICS CORP.

Date: March 16, 2015

By /s/ John M. Holliman, III
John M. Holliman, III
Principal Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ John M. Holliman, III John M. Holliman, III	Executive Chairman (Principal Executive Officer) and Director	March 16, 2015
/s/ Elwood D. Howse, Jr. Elwood D. Howse, Jr.	Director	March 16, 2015
/s/ Fredric J. Feldman Fredric J. Feldman, Ph.D.	Director	March 16, 2015
/s/ Eric W. Fangmann Eric W. Fangmann	Director	March 16, 2015
/s/ Les M. Taeger Les M. Taeger	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2015

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Capstone Therapeutics Corp. ("the Company")
Exhibit Index to Annual Report on Form 10-K
For the Year Ended December 31, 2014

Exhibit No.	Description	Incorporated by Reference To:	Filed Or Furnished Herewith
3.1	Amended and Restated Certificate of Designation of Series A Preferred Stock, executed June 24, 2014	Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on June 24, 2014	
3.2	Bylaws of the Company	Exhibit 3.4 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (No. 33-47569) filed with the SEC on January 25, 1993 ("January 1993 S-1")	
3.3	Restated Certificate of Incorporation, as amended through June 24, 2014	Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed with the SEC on August 14, 2014	
4.1	Class A Warrant Agreement dated February 24, 2006, between OrthoLogic Corp. and PharmaBio Development Inc. (d/b/a NovaQuest)	Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2006	
4.2	Class A Warrant Agreement dated June 30, 2006 by and between OrthoLogic Corp. and PharmaBio Development Inc.	Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 6, 2006	
4.3	Amended and Restated Class B Warrant Agreement dated February 24, 2006, and amended and restated as of June 30, 2006, between OrthoLogic Corp. and PharmaBio Development Inc. (d/b/a NovaQuest) (asterisks located within exhibit denote information that has been redacted pursuant to a request for confidential treatment filed with the SEC)	Exhibit 4.4 to the Company's Amendment No. 1 to Registration Statement on Form 8-A/A, filed with the SEC on May 25, 2010.	
4.4	Tax Benefit Preservation Plan, dated as of June 24, 2014, by and between Capstone Therapeutics Corp. and Computershare Inc., as rights agent.	Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 24, 2014	
10.1	Form of Indemnification Agreement(*)	Exhibit 10.16 to the Company's January 1993 S-1	
10.2	1997 Stock Option Plan of the Company, as amended and approved by the stockholders (1)	Exhibit 4.3 to the Company's Registration Statement on Form S-8, filed with the SEC on March 2, 2005	
10.3	Form of Incentive Stock Option Grant Letter for use in connection with the Company's 1997 Stock Option Plan (**)	Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 4, 2005	
10.4	Form of Non-qualified Stock Option Grant Letter for use in connection with the Company's 1997 Stock Option Plan (**)	Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 19, 2006	
10.5	Director Compensation Plan, effective June 10, 2005 (1)	Exhibit 10.2 to the Company's Quarterly Report Form 10-Q for the quarterly period ended June 30, 2005, filed with the SEC on August 9, 2005	
10.6	Employment Agreement dated January 10, 2006 between the Company and Les M. Taeger (1)	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 11, 2006 (the "January 11th 8-K")	
10.7	Intellectual Property, Confidentiality and Non-Competition Agreement between the Company and Les M. Taeger dated January 10, 2006 (1)	Exhibit 10.2 to the January 11th 8-K	

10.8	Common Stock and Warrant Purchase Agreement by and between OrthoLogic Corp. and PharmaBio Development Inc., dated February 24, 2006.	Exhibit 10.1 to the Company's Registration Statement on Form S-3 filed with the SEC on April 13, 2006 (April 2006 S-3)
10.9	Registration Rights Agreement by and between OrthoLogic Corp. and PharmaBio Development Inc., dated February 24, 2006	Exhibit 4.8 to the Company's Amendment No. 1 to Registration Statement on Form 8-A/A, filed with the SEC on May 25, 2010.
10.10	Registration Rights Agreement by and between OrthoLogic Corp., AzERx, Inc., and Certain Shareholders, dated February 27, 2006	Exhibit 10.3 to the Company's April 2006 S-3
10.11	Amended and Restated License Agreement dated February 23, 2006 by and between OrthoLogic Corp. and Arizona Science Technology Enterprises, LLC	Exhibit 10.5 to the Company's Registration Statement on Form S-3 filed with the SEC on April 25, 2006
10.12	2005 Equity Incentive Plan (2005 Plan) (1)	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 18, 2006
10.13	Form of Incentive Stock Option Grant Letters for Grants under the 2005 Plan (**)	Exhibit 10.1 to the Company's Report on Form 10-Q for the quarterly period ended June 30, 2006, filed on August 8, 2006 ("June 2006 10-Q")
10.14	Form of Non-Qualified Stock Options Grant Letter for Grants under the 2005 Plan (**)	Exhibit 10.2 to the Company's June 2006 10-Q
10.15	Form of Restricted Stock Grant Letters for Grants under the 2005 Plan (**)	Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on May 18, 2006
10.16	Amendment to Employment Agreement dated January 10, 2006 between OrthoLogic Corp. and Les Taeger (1)	Exhibit 10.3 to the Company's June 2006 10-Q
10.17	Contribution Agreement by and among LipimetiX, LLC, Capstone Therapeutics Corp., LipimetiX Development, LLC, The UAB Research Foundation, Dennis I. Goldberg, Ph.D. ("Goldberg"), Philip M. Friden, Ph.D., Eric Morrell, Ph.D., G. M. Anantharamaiah, Ph.D. and Palgunachari Mayakonda, Ph.D., Frederick Meyer, Ph.D., Michael Webb, and Jeffrey Elton, Ph.D., effective as of August 3, 2012.	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.18	Limited Liability Company Agreement of LipimetiX Development, LLC, by and among LipimetiX Development, LLC, Capstone Therapeutics Corp., and the other members and managers party thereto, effective as of August 3, 2012.	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.19	First Amendment and Consent to Assignment of Exclusive License Agreement by and among The UAB Research Foundation, LipimetiX, LLC and LipimetiX Development, LLC, dated as of August 3, 2012.	Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.20	Management Agreement by and among LipimetiX Development, LLC, Benu BioPharma, Inc., Dennis I. Goldberg, Ph.D., Phillip M. Friden, Ph.D., and Eric M. Morrel, Ph.D., effective as of August 3, 2012.	Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.21	Accounting Services Agreement by and among LipimetiX Development, LLC and Capstone Therapeutics Corp., effective as of August 3, 2012	Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012

10.22	Escrow Agreement by and among Capstone Therapeutics Corp., LipimetiX Development, LLC dated as of August 3, 2012	Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012	
10.23	Exclusive License Agreement between the UAB Research Foundation and LipimetiX LLC dated August 26, 2011	Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012	
10.24	Second Amendment to Exclusive License Agreement between the UAB Research Foundation and LipimetiX, LLC, last signed on January 26, 2015	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 30, 3015	
10.25	Capstone Therapeutics Corp. Joint Venture Bonus Plan	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 8, 2012	
10.26	Accounting Services Agreement Amendment #1, dated August 23, 2013	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC on November 12, 2013	
23.1	Consent of independent registered public accounting firm.		X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a -14(a) of the Securities Exchange Act of 1934, as amended		X
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Rule 13a - 14(a) of the Securities Exchange Act of 1934, as amended		X
32.1	Certification of Principal Executive Officer and Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350***		X
101	The following financial information from our Annual Report on Form 10-K for the fiscal year 2014, filed with the SEC on March 16, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets as December 31, 2014 and 2013, (ii) the Consolidated Statements of Operations for the two years ended 2014 and 2013 (iii) the Consolidated Statements of Cash Flows for the two years ended December 31, 2014 and 2013 and (iv) Notes to Consolidated Financial Statements. ***		X

(1) Management contract or compensatory plan or arrangement.

* Capstone Therapeutics Corp. has entered into separate indemnification agreements with each of its current directors and executive officers that differ only in party names and dates. Pursuant to the instructions accompanying Item 601 of Regulation S-K, Capstone has filed the form of such indemnification agreement.

** Capstone Therapeutics from time to time issues stock options to its employees, officers and directors pursuant to its 2005 Stock Option Plan, as amended. The incentive stock option grant letters and non-qualified stock option grant letters that evidence these issuances differ only in such terms as the identity of the recipient, the grant date, the number of securities covered by the award, the price(s) at which the recipient may acquire the securities and the vesting schedule. Pursuant to the instructions accompanying Item 601 of Regulation S-K, Capstone has filed the form of such incentive stock option grant letter and non-qualified stock option grant letter.

*** Furnished herewith.

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FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Capstone Therapeutics Corp.

We have audited the accompanying consolidated balance sheets of Capstone Therapeutics Corp. (the "Company") as of December 31, 2014 and 2013 and the related consolidated statements of operations, changes in equity, and cash flows for each of the two years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capstone Therapeutics Corp. as of December 31, 2014 and 2013 and the results of its consolidated operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, the uncertainty with regards to the Company's ability to raise funding to implement the future business strategy of the Company raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Scottsdale, Arizona
March 16, 2015

/s/ Moss Adams LLP

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,164	$ 6,258
Other current assets	555	233
Total current assets	2,719	6,491
Patent license rights, net	666	823
Furniture and equipment, net	-	3
Total assets	$ 3,385	$ 7,317
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 124	$ 88
Other accrued liabilities	158	12
Total current liabilities	282	100
Equity		
Capstone Therapeutics Corp. Stockholders' Equity		
Common Stock $.0005 par value; 100,000,000 shares authorized; 40,885,411 shares outstanding in 2014 and 2013	20	20
Additional paid-in capital	189,268	189,215
Accumulated deficit	(186,185)	(182,018)
Total Capstone Therapeutics Corp. stockholders' equity	3,103	7,217
Noncontrolling interest	-	-
Total equity	3,103	7,217
Total liabilities and equity	$ 3,385	$ 7,317

See notes to consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years ended December 31,	
	2014	2013
OPERATING EXPENSES		
General and administrative	$ 1,453	$ 1,169
Research and development	3,071	3,124
Total operating expenses	4,524	4,293
Interest and other expenses (income), net	43	(158)
Loss from operations before taxes	4,567	4,135
Income tax benefit	(400)	(21)
Net Loss	4,167	4,114
Less: Net Loss attributable to the noncontrolling interest	-	(193)
Net Loss attributable to Capstone Therapeutics Corp. stockholders	$ 4,167	$ 3,921
Per Share Information:		
Net loss, basic and diluted, attributable to Capstone Therapeutics Corp. stockholders	$ 0.10	$ 0.10
Basic and diluted shares outstanding	40,885	40,885

See notes to consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Capstone Therapeutics Corp. Stockholders' Equity				
	Common Stock		*Additional*	*Accumulated*	*Non controlling*	
	Shares	*Amount*	*Paid in Capital*	*Deficit*	*Interest*	*Total*
Balance December 31, 2012	40,885	$ 20	$ 189,181	$ (178,097)	$ 193	$ 11,297
Stock-based compensation cost	-	-	34	-	-	34
Net loss	-	-	-	(3,921)	(193)	(4,114)
Balance December 31, 2013	40,885	20	189,215	(182,018)	-	7,217
Stock-based compensation cost	-	-	53	-	-	53
Net loss	-	-	-	(4,167)	-	(4,167)
Balance December 31, 2014	40,885	$ 20	$ 189,268	$ (186,185)	$ -	$ 3,103

See notes to consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,	
	2014	**2013**
OPERATING ACTIVITIES		
Net loss	$ (4,167)	$ (4,114)
Non cash items:		
Depreciation and amortization	160	173
Non-cash stock-based compensation	53	34
Change in other operating items:		
Other current assets	(322)	150
Accounts payable	36	(145)
Other accrued liabilities	146	(49)
Cash flows used in operating activities	(4,094)	(3,951)
INVESTING ACTIVITIES		
Proceeds from sale of assets	-	4
Cash flows provided by investing activities	-	4
FINANCING ACTIVITIES		
Cash flows provided by financing activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,094)	(3,947)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,258	10,205
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,164	$ 6,258

See notes to consolidated financial statements

CAPSTONE THERAPEUTICS CORP.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview of the Business

Capstone Therapeutics Corp. is a biotechnology company committed to developing a pipeline of novel peptides and other molecules aimed at helping patients with under-served medical conditions. Previously, we were focused on the development and commercialization of two product platforms: AZX100 and Chrysalin (TP508). Since March 2012, we no longer have any interest in or rights to Chrysalin. In 2012 we wound down internal operations, ceased clinical development of AZX100 in dermal scarring, formerly our principal drug candidate, and moved to a more virtual operating model. In 2014, we terminated the License Agreement for AZX100 intellectual property and returned all interest in and rights to the AZX100 intellectual property to the Licensor (AzTE).

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (the "JV") to develop Apo E mimetic peptide molecule AEM-28 and its analogs. The JV has a development plan to pursue regulatory approval of AEM-28, or an analog, as treatment for Homozygous Familial Hypercholesterolemia (granted Orphan Drug Designation by FDA in 2012) and other hyperlipidemic indications. The initial development plan extended through Phase 1a and 1b/2a clinical trials and was completed in the fourth quarter of 2014. The clinical trials have a safety primary endpoint and an efficacy endpoint targeting reduction of cholesterol and triglycerides.

The JV received allowance from regulatory authorities in Australia permitting the JV to proceed with the planned clinical trials. The Phase 1a clinical trial commenced in Australia in April 2014 and the Phase 1b/2a clinical trial commenced in Australia in June 2014. The clinical trials for AEM-28 are randomized, double-blinded, placebo-controlled studies to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of six escalating single doses (Phase 1a in healthy patients with elevated cholesterol) and multiple ascending doses of the three highest doses from Phase 1a (Phase 1b/2a in patients with Hypercholesterolemia and healthy subjects with elevated cholesterol and high Body Mass Index). The Phase 1a clinical trial consisted of 36 patients and the Phase 1b/2a consisted of 15 patients. Both clinical trials were completed in 2014 and the Medical Safety Committee, reviewing all safety-related aspects of the clinical trials, observed a generally acceptable safety profile. As first-in-man studies, the primary endpoint was safety; yet efficacy measurements analyzing pharmacodynamics yielded statistical significance in the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints.

Concurrently with the development activities with AEM-28, the JV has performed limited pre-clinical studies that have identified an analog of AEM-28, referred to as AEM-28-02, and a new phospholipid formulation, that has the potential of equivalent efficacy, higher human dose toleration and an extended patent life (application filed in 2014).

The JV and Company intend to explore fundraising, partnering or licensing to obtain additional funding to continue development activities of AEM-28 and AEM-28-02.

The JV and the Company do not have sufficient funding at this time to continue additional material development activities of AEM-28 and its analogs. The JV may conduct future clinical trials in Australia, the USA, and other regulatory jurisdictions if regulatory approvals, additional funding, and other conditions permit. The JV may also fund research or studies to investigate AEM-28-02 for treatment of acute coronary syndrome and other indications.

The Company intends to limit its internal operations to a virtual operating model while continuing monitoring and participating in the management of LipimetiX Development LLC's AEM-28 and analogs development activities and maintaining the required level of corporate governance and reporting required to comply with Securities and Exchange Commission rules and regulations.

Description of Current Peptide Drug Candidates.

Apo E Mimetic Peptide Molecule – AEM-28 and its analogs

Apolipoprotein E is a 299 amino acid protein that plays an important role in lipoprotein metabolism. AEM-28 is a 28 amino acid mimetic of Apo E and AEM-28-02 (an analog of AEM-28) is a 28 amino acid mimetic of Apo E (with an aminohexanoic acid group and a phospholipid) and both contain a domain that anchors into a lipoprotein surface while also providing the Apo E receptor binding domain, which allows clearance through the heparan sulfate proteoglycan (HSPG) receptors (Syndecan-1) in the liver. AEM-28 and AEM-28-02, as Apo E mimetics, have the potential to restore the ability of these atherogenic lipoproteins to be cleared from the plasma, completing the reverse cholesterol transport pathway, and thereby reducing cardiovascular risk. This is an important mechanism of action for AEM-28 and AEM-28-02. For patients that lack LDL receptors (Homozygous Familial Hypercholesterolemia-HoFH), or have hypercholesterolemia, AEM-28 or AEM-28-02 may provide a therapeutic solution. Our joint venture has an Exclusive License Agreement with the University of Alabama at Birmingham Research Foundation for AEM-28 and certain of its analogs.

Company History

Prior to November 26, 2003, we developed, manufactured and marketed proprietary, technologically advanced orthopedic products designed to promote the healing of musculoskeletal bone and tissue, with particular emphasis on fracture healing and spine repair. Our product lines, which included bone growth stimulation and fracture fixation devices, are referred to as our "Bone Device Business." In November 2003, we sold our Bone Device Business.

In August 2004, we purchased substantially all of the assets and intellectual property of Chrysalis Biotechnology, Inc. ("CBI"), including its exclusive worldwide license for Chrysalin for all medical indications. Subsequently, our efforts were focused on research and development of Chrysalin with the goal of commercializing our products in fresh fracture healing. (In March 2012, we returned all rights to the Chrysalin intellectual property and no longer have any interest in, or rights to Chrysalin.)

In February 2006, we purchased certain assets and assumed certain liabilities of AzERx, Inc. Under the terms of the transaction, we acquired an exclusive license for the core intellectual property relating to AZX100, an anti-fibrotic peptide. In 2014, we terminated the License Agreement with AzTE (Licensor) for the core intellectual property relating to AZX100 and returned all interest in and rights to the AZX100 intellectual property to the Licensor.

On August 3, 2012, we entered into a joint venture, LipimetiX Development, LLC, (see Note 9 below) to develop Apo E mimetic peptide molecule AEM-28 and analogs.

Our development activities represent a single operating segment as they shared the same product development path and utilized the same Company resources. As a result, we determined that it is appropriate to reflect our operations as one reportable segment.

OrthoLogic Corp. commenced doing business under the trade name of Capstone Therapeutics on October 1, 2008, and we formally changed our name from OrthoLogic Corp. to Capstone Therapeutics Corp. on May 21, 2010.

In this Annual Report, references to "we", "our", the "Company", "Capstone Therapeutics", "Capstone", and "OrthoLogic" refer to Capstone Therapeutics Corp. References to our Bone Device Business refer to our former business line of bone growth stimulation and fracture fixation devices, including the OL1000 product line, SpinaLogic®, OrthoFrame® and OrthoFrame/Mayo. References to our joint venture refer to LipimetiX Development, LLC.

Basis of presentation and Management's Plans. The accompanying financials statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As discussed above, Management has determined that the Company will require additional capital above its current cash and working capital balances to further develop AEM-28 and its analogs. Accordingly, the Company has significantly reduced its development activities. Relating to future corporate strategy, the duration and timing of resolution of the *qui tam* lawsuit could affect the board's decision relating to: (a) engaging in a strategic/merger transaction, (b) conducting a private or public offering of debt or equity securities for capital to renew a more active development of AEM-28 and its analogs, and (c) a liquidating distribution to the shareholders. These financial statements do not include any adjustments that might result from the outcome of this uncertainty of corporate strategy.

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, and expenses in our financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's assumptions regarding current events and actions that may impact the Company in the future, actual results may differ from these estimates and assumptions.

Our significant estimates include income taxes, contingencies, accounting for stock-based compensation, accounting for the Australian refundable research and development tax credit, and accounting for the formation and consolidation of LipimetiX Development, LLC.

Fair value measurements. We determine the fair value measurements of our applicable assets and liabilities based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Cash and cash equivalents. Cash and cash equivalents consist of cash deposited with financial institutions, including money market accounts, and investments purchased with an original or remaining maturity of three months or less when acquired.

Furniture and equipment. Furniture and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the various assets, which range from three to seven years. Leasehold improvements are amortized over the life of the asset or the period of the respective lease using the straight-line method, whichever is the shortest.

Research and development expenses. Research and development represents costs incurred for research and development activities, including costs incurred to fund the pre-clinical and clinical testing of our product candidates. Research and development costs are generally expensed when

incurred. Nonrefundable advance payments are capitalized and recorded as expense when the respective product or service is delivered.

Accrued Clinical. Accrued clinical represents the liability recorded for the costs incurred for our human clinical trials. Total patient costs are based on the specified clinical trial protocol, recognized over the period of time service is provided to the subject. We had no active clinical trials at December 31, 2014

Stock-based compensation. We account for share-based compensation arrangements in accordance with ASC Topic 718 "Compensation - Stock Compensation" ("ASC 718"). ASC 718 requires all share-based payments, including grants of stock options, restricted stock units and employee stock purchase rights, to be recognized in our financial statements based on their respective grant date fair values. Under this standard, the fair value of each grant is estimated on the date of grant using a valuation model that meets certain requirements. We use the Black-Scholes option pricing model to estimate the fair value of our share-based payment awards. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model was affected by our stock price and a number of assumptions, including expected volatility, expected term, risk-free interest rate and an expected dividend yield. We used our historical volatility as adjusted for future expectations. The expected life of the stock options was based on historical data and future expectations of when the awards will be exercised. The risk-free interest rate assumption was based on observed interest rates with durations consistent with the expected terms of our stock options. The dividend yield assumption was based on our history and expectation of dividend payouts. The fair value of our restricted stock units was based on the fair market value of our common stock on the date of grant. We evaluated the assumptions used to value our share-based payment awards on a quarterly basis. For non-employees, expense was recognized as the service was provided and when performance was complete in accordance with ASC Topic 505 – 550 "Equity-Based Payments to Non-Employees."

Effective January 1, 2006, stock-based compensation expense recognized in our financial statements has been based on awards that were ultimately expected to vest. We recognized compensation cost for an award with only service conditions that had a graded vesting schedule on a straight line basis over the requisite service period as if the award was, in-substance, a multiple award. However, the amount of compensation cost recognized at any date was at least equal to the portion of grant-date fair value of the award that was vested at that date. The amount of stock-based compensation expense is reduced for estimated forfeitures. Forfeitures were required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates.

ASC 718 requires the benefits associated with tax deductions that are realized in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. Subsequent to the adoption of ASC 718 on January 1, 2006, we have not recorded any excess tax benefit generated from option exercises, due to our net operating loss carryforwards, which cause such excess benefits to be unrealized.

The Company recorded stock-based compensation of $53,000 in 2014 and $34,000 in 2013, which increased the net loss. Loss per weighted average basic and diluted shares outstanding increased by less than $0.01 per share in 2014 and $0.01 per share in 2013 due to stock-based compensation.

Loss per common share. In determining loss per common share for a period, we use weighted average shares outstanding during the period for primary shares and we utilize the treasury stock method to calculate the weighted average shares outstanding during the period for diluted shares. Utilizing the treasury stock method for the year ended December 31, 2014, 252,500 shares were determined to be outstanding and excluded from the calculation of loss per share because they were

anti-dilutive. At December 31, 2014, options and warrants to purchase 3,186,835 shares of our common stock, at exercise prices ranging from $0.16 to $6.39 per share, were outstanding.

Income Taxes. Under ASC Topic 740 "Income Taxes" ("ASC 740"), income taxes are recorded based on current year amounts payable or refundable, as well as the consequences of events that give rise to deferred tax assets and liabilities. We base our estimate of current and deferred taxes on the tax laws and rates that are estimated to be in effect in the periods in which deferred tax liabilities or assets are expected to be settled or realized. Pursuant to ASC 740, we have determined that the deferred tax assets at December 31, 2014 and 2013 require a full valuation allowance given that it is not "more-likely-than-not" that the assets will be recovered.

We adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" (now ASC 740) on January 1, 2007. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Subsequent to adoption of ASC 740, each period we evaluate the tax years that remain open for assessment for federal and state tax purposes. At December 31, 2014, tax years 2010 through 2014 remain open.

We may, from time-to-time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. The Company recognizes accrued interest and penalties, if applicable, related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2014 and 2013, the Company did not recognize a material amount in interest and penalties.

Patents. Patent license rights were recorded at $1,045,000, their estimated fair value on the date they were acquired, August 3, 2012. Their cost will be amortized on a straight-line basis over the key patent life of eighty months. At December 31, 2014, accumulated amortization totaled $379,000. If a change in conditions occurs, that indicates a material change in the future utility of the patent license rights, an evaluation will be performed to determine if impairment of the asset has occurred, and if so, the impairment will be recorded.

Joint Venture Accounting. The Company entered into a joint venture in which it has contributed $6,000,000, and the noncontrolling interests have contributed certain patent license rights. Neither the Company nor the noncontrolling interests have an obligation to contribute additional funds to the joint venture or to assume any joint venture liabilities or to provide a guarantee of either joint venture performance or any joint venture liability. The financial position and results of operations of the joint venture are presented on a consolidated basis with the financial position and results of operations of the Company. Intercompany transactions have been eliminated. Joint venture losses were recorded on the basis of common ownership equity interests (60% Company / 40% noncontrolling interests) until common ownership equity was reduced to $0. Subsequent joint venture losses are being allocated to the preferred ownership equity (100% Company). Subsequent to March 31, 2013, all joint venture losses are being allocated to the Company. The Company has a revolving loan agreement with the joint venture to advance the joint venture funds for operations in an amount not to exceed a net (net of expected tax credits or other funds obtained) of $700,000, with the net amount due June 30, 2015. Losses incurred by the joint venture in excess of the capital accounts of the joint venture will be allocated to the Company to the extent of net outstanding advances.

Legal and Other Contingencies

As discussed in Note 10 "Contingency – Legal Proceedings", the Company is subject to legal proceedings and claims that arise in the course of business. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to loss contingencies. However, the outcome of legal proceedings and claims brought against the Company are subject to significant uncertainty. Therefore, if the *qui tam* legal matter is resolved against the Company in excess of management's expectations, the Company's financial statements could be materially adversely affected.

Legal costs related to contingencies are expensed as incurred and were not material in either 2014 or 2013.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation* removes the definition of a development stage entity and all incremental financial reporting requirements from U.S. GAAP for development stage entities. Topic 915 *Development Stage Entities* will be removed from the FASB *Accounting Standards Codification*™. The elimination of the development stage entity financial reporting requirements is effective for annual reporting periods beginning after December 15, 2014. A public business entity may adopt this guidance early for any annual reporting period or interim period for which financial statements have not been issued. The adoption of this accounting standard update had no impact on our condensed consolidated financial statements. We had previously presented our financial statements with development stage entity disclosures. We adopted this accounting standard update in our third quarter ending September 30, 2014, and accordingly, have omitted development stage information and disclosures from our presentation.

In August 2014, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)("Update"): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, providing a requirement under U.S. GAAP for an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued; and if those conditions exist, to disclose that fact, the conditions and the potential effects on the entity's ability to meet its obligations. The Update will be effective for an annual period ending after December 15, 2016, with early application permitted*. We have not elected early application, however, if additional funds are not obtained to continue the development of AEM-28 or its analogs, or operations, it will impair our ability to continue as a going concern. If we do not continue as a going concern, the Company may incur additional losses, up to, and possibly exceeding, $932,000, the Company's net joint venture investment and revolving loan balance at December 31, 2014.

2. INVESTMENTS

At December 31, 2014 and December 31, 2013, investments were classified as held-to-maturity securities. As of December 31, 2014 and 2013, all investments were in investments with maturities less than 90 days and are included in cash and cash equivalents.

3. FURNITURE AND EQUIPMENT

The components of furniture and equipment at December 31 are as follows (in thousands):

	December 31,	
	2014	2013
Machinery and equipment	$ 221	$ 221
Furniture and fixtures	34	34
Leasehold improvements	-	-
	255	255
Less accumulated depreciation and amortization	(255)	(252)
Total	$ -	$ 3

Depreciation and leasehold improvement amortization expenses for the years ended December 31, 2014 and 2013 were $3,000 and $11,000, respectively.

4. INCOME TAXES

The components of deferred income taxes at December 31 are as follows (in thousands):

	December 31	
	2014	2013
Accruals and reserves	$ 1	$ 1
Valuation allowance	(1)	(1)
Total current	-	-
NOL, AMT and general business credit carryforwards	56,868	56,050
Difference in basis of fixed assets	3	3
Accruals and reserves	28	274
Difference in basis of intangibles	110	13
Difference in currency exchange rate	46	
Valuation allowance	(57,055)	(56,340)
Total non current	-	-
Total deferred income taxes	$ -	$ -

ASC 740 requires that a valuation allowance be established when it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period-to-period are included in the tax provision in the period of change. In determining whether a valuation allowance is required, we take into account all evidence with regard to the utilization of a deferred tax asset including past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Management has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets and has established a valuation allowance of approximately $57 million at December 31, 2014 and $56 million at December 31, 2013. The valuation allowance as of December 31, 2014 and 2013 includes approximately $2.7 million for net operating loss carry forwards that relate to stock compensation expense for income tax reporting purposes that upon realization, would be recorded as additional paid-in capital. The valuation allowance reduces deferred tax assets to an amount that management believes will more likely than not be realized.

The components of the income tax provision (benefit) are as follows (in thousands):

	Years Ended December 31	
	2014	2013
Provision (benefit) for income taxes		
Current	$ (400)	$ (21)
Deferred	-	-
Income tax provision (benefit)	$ (400)	$ (21)

The 2014 income tax benefit results from the Australian refundable research and development tax credit as explained in Note 7. The 2013 income tax benefit results from Arizona state income tax legislation passed in 2010 that provides for the refund of 75 percent of the 2012 Arizona state research and development tax credit for entities that would otherwise not be able to utilize their 2012 Arizona research and development tax credits to reduce 2012 Arizona state income taxes currently payable.

We have accumulated approximately $146 million in federal and $33 million in state net operating loss carryforwards ("NOLs") and approximately $6 million of research and development and alternative minimum tax credit carryforwards. The federal NOLs expire between 2023 and 2034. The Arizona state NOL's expire between 2015 and 2034. The availability of these NOL's to offset future taxable income could be limited in the event of a change in ownership, as defined in Section 382 of the Internal Revenue Code.

A reconciliation of the difference between the provision (benefit) for income taxes and income taxes at the statutory U.S. federal income tax rate is as follows for the years ended December 31, 2014 and 2013:

	Years Ended December 31	
	2014	2013
Income tax provision (benefit) at statutory rate	$ (1,417)	$ (1,333)
State income taxes	(165)	(138)
Research credits	(435)	(74)
Expiration of state NOL	649	548
Other	252	324
Change in valuation allowance	716	652
Net provision (benefit)	$ (400)	$ (21)

5. STOCKHOLDERS' EQUITY

The number of common shares reserved for issuance under the OrthoLogic 1987 option plan was 4,160,000 shares. This plan expired during October 1997. In May 1997, our stockholders adopted a new stock option plan (the "1997 Plan"). The 1997 Plan reserved for issuance 1,040,000 shares of Common Stock. Subsequent to its original adoption, the Board of Directors and stockholders approved amendments to the 1997 Plan that increased the number of shares of common stock reserved for issuance to 4,190,000. The 1997 Plan expired in March 2007. In May 2006, our stockholders approved the 2005 Equity Incentive Plan (the "2005 Plan") and reserved 2,000,000 shares of our common stock for issuance. Our stockholders approved the reservation of an additional 1,750,000 shares of common stock for issuance under the 2005 Plan, which increased the total shares available for grant under the 2005 Plan to 3,750,000 shares. At December 31, 2014, 495,519 shares remained available to grant under the 2005 Plan (the 1997 plan and the 2005 plan are collectively referred to as

"The Plans"). The 2005 Plan expires in April 2015. Two types of options may be granted under the Plans: options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code (the "Code") and other options not specifically authorized or qualified for favorable income tax treatment by the Code. All eligible employees may receive more than one type of option. Any director or consultant who is not an employee of the Company shall be eligible to receive only nonqualified stock options under the Plans.

The Plans provide that in the event of a takeover or merger of the Company in which 100% of the equity of the Company is purchased or a sale of all or substantially all of the Company's assets, 75% of all unvested employee options will vest immediately and the remaining 25% will vest over the following twelve month period. If an employee or holder of stock options is terminated as a result of or subsequent to the acquisition, 100% of that individual's stock option will vest immediately upon employment termination.

We used the Black-Scholes model with the following assumptions to determine the total fair value of $53,000 and $34,000 for options to purchase 223,000 and 255,000 shares of our common stock issued during 2014 and 2013, respectively.

	2014	2013
Risk free interest rate	1.7%	0.7%
Volatility	100%	77%
Expected term from vesting	4.2 Years	4.6 Years
Dividend yield	0%	0%

Summary

Non-cash stock compensation cost for the year ended December 31, 2014 totaled $53,000, and was recorded as a general and administrative expense in the Statement of Operations for the year ended December 31, 2014.

Non-cash stock compensation cost for the year ended December 31, 2013, totaled $34,000. In the Statement of Operations for the year ended December 31, 2013, non-cash stock compensation expense of $33,000 was recorded as a general and administrative expense and $1,000 was recorded as a research and development expense.

No options were exercised in the years ended December 31, 2014 and 2013.

At December 31, 2014, the remaining unamortized non-cash stock compensation costs totaled less than $1,000.

A summary of option activity under our stock option plans for the years ended December 31, 2014 and 2013 is as follows:

	2014			2013	
	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (years)	Number of Options	Weighted average exercise price
Options outstanding at the beginning of the year:	3,225,806	$ 1.52		3,218,264	$ 1.71
Granted	223,000	$ 0.27		255,000	$ 0.22
Exercised	-	$ -		-	$ -
Expired / Forfeited	(426,100)	$ 4.17		(247,458)	$ 2.65
Outstanding at end of year	3,022,706	$ 1.06	4.96	3,225,806	$ 1.52
Options exercisable at year-end	3,015,374	$ 1.06	4.77	3,115,384	$ 1.57
Options vested and expected to vest at year end	3,017,685	$ 1.06	4.83	3,150,504	$ 1.55

The Company had no unvested common stock share awards as of December 31, 2014 or December 31, 2013, and no common stock awards were made in 2014 or 2013.

It is the Company's policy to issue options from stockholder approved incentive plans. However, if the options are issued as an inducement for an individual to join the Company, the Company may issue stock options outside of stockholder approved plans. The options granted to employees under stockholder approved incentive plans have a ten-year term and normally vest over a two to four-year period of service. All stock options are granted with an exercise price equal to the current market value on the date of grant and, accordingly, stock options have no intrinsic value on the date of grant. Based on the closing market price of the Company's common stock at December 31, 2014 of $0.23, stock options exercisable or expected to vest at December 31, 2014, have intrinsic value of $41,000.

Warrants

At December 31, 2014, the Company has fully vested warrants outstanding to purchase 46,706 shares of the Company's common stock with an exercise price of $6.39 per share, which expire in February 2016, and fully vested warrants outstanding to purchase 117,423 shares of the Company's common stock with an exercise price of $1.91 per share, which expire in July 2016. No warrants were exercised during the years ended December 31, 2014 or 2013.

6. COMMITMENTS

Rent expense for the years ended December 31, 2014 and 2013, was $64,000 and $82,000, respectively.

In 2007, the Company entered into a lease for 17,000 square feet of space in a Tempe, Arizona office and research facility. This lease calls for monthly rental payments of $22,000, plus a proportionate share of building operating expenses and property taxes. The term of this lease was sixty months from March 1, 2008. In January of 2013, this lease was amended to extend the lease to February 28, 2015, with the rentable square feet of space reduced to 2,845 square feet and monthly rental payments of approximately $5,000 plus a proportionate share of building operating expenses and property taxes. On October 1, 2014 this lease was extended to February 29, 2016 with a monthly rental payment of approximately $5,000 plus a proportionate share of building operating expenses and property taxes.

7. AUSTRALIAN REFUNDABLE RESEARCH & DEVELOPMENT CREDIT

In March 2014, LipimetiX Development LLC, (see Note 9 in the financial statement included in this Form 10-K) formed a wholly-owned Australian subsidiary, Lipimetix Australia Pty Ltd, to conduct Phase 1a and Phase1b/2a clinical trials in Australia. Currently Australian tax regulations provide for a refundable research and development tax credit equal to 43.5% of qualified expenditures. Subsequent to the end of its Australian tax years, Lipimetix Australia Pty Ltd intends to submit claims for a refundable research and development tax credit. The transitional Australian tax periods/years granted for Lipimetix Australia Pty Ltd end on June 30, 2014, December 31, 2014 and thereafter December 31 of each succeeding year. For the tax year ended June 30, 2014, Lipimetix Australia Pty Ltd received a refundable research and development tax credit of AUD$227,000. For the tax year ended December 31, 2014 a AUD$242,000 refundable research and development tax credit has been recorded by Lipimetix Australia Pty Ltd, as it is more likely than not that the recorded refundable research and development tax credit at December 31, 2014 will be approved and received.

8. AUTHORIZED PREFERRED STOCK

We have 2,000,000 shares of authorized preferred stock, the terms of which may be fixed by our Board of Directors. We presently have no outstanding shares of preferred stock. Our Board of Directors has the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. If we raise additional funds to continue development of AEM-28 and its analogs, or operations, we may issue preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of common stock.

In connection with the Tax Benefit Preservation Plan ("Benefit Plan") dated June 24, 2014, between the Company and Computershare (formerly Bank of New York), our Board of Directors approved the designation of 1,000,000 shares of Series A Preferred Stock. The Benefit Plan and the exercise of rights to purchase Series A Preferred Stock, pursuant to the terms thereof, may delay, defer or prevent a change in control without the approval of the Board. In addition to the anti-takeover effects of the rights granted under the Benefit Plan, the issuance of preferred stock, generally, could have a dilutive effect on our stockholders. The Benefit Plan expires June 24, 2016.

9. JOINT VENTURE FOR DEVELOPMENT OF APO E MIMETIC PEPTIDE MOLECULE AEM-28 AND ANALOGS

On August 3, 2012, we entered into a Contribution Agreement with LipimetiX LLC to form a joint venture, LipimetiX Development, LLC ("JV"), to develop Apo E mimetic molecules, including AEM-28 and its analogs. The Company contributed $6 million, which included $1 million for 600,000 voting common ownership units, representing 60% ownership in the JV, and $5 million for 5,000,000 non-voting preferred ownership units, which have preferential distribution rights.

LipimetiX LLC contributed all intellectual property rights for Apo E mimetic molecules it owned and assigned its Exclusive License Agreement between the University of Alabama at Birmingham Research Foundation ("UABRF") and LipimetiX, LLC, for the UABRF intellectual property related to Apo E mimetic molecules AEM-28 and its analogs to the JV, in return for 400,000 voting common ownership units representing 40% ownership in JV, and $378,000 in cash (for certain initial patent-related costs and legal expenses).

LipimetiX LLC was formed by the principals of Benu BioPharma, Inc. ("Benu") and UABRF to commercialize UABRF's intellectual property related to Apo E mimetic molecules, including AEM-28 and analogs. Benu is composed of Dennis I. Goldberg, Ph.D., Phillip M. Friden, Ph.D. and Eric M. Morrel, Ph.D. The Exclusive License Agreement, as amended, calls for payment of patent filing, maintenance and other related patent fees, as well as a royalty of 3% on Net Sales of Licensed

Products during the Term of the Agreement. The Agreement terminates upon the expiration of all Valid Patent Claims within the Licensed Patents, which are currently estimated to expire between 2019 and 2034. The Agreement, as amended, also calls for annual maintenance payments of $25,000, various milestone payments of $50,000 to $500,000 and minimum royalty payments of $500,000 to $1,000,000 per year commencing on January 1 of the first calendar year following the year in which the First Commercial Sale occurs. UABRF will also receive 5% of Non Royalty Income received.

Concurrent with entering into the Contribution Agreement and the First Amendment and Consent to Assignment of Exclusive License Agreement between LipimetiX LLC, UABRF and the Company, the Company and LipimetiX LLC entered into a Limited Liability Company Agreement for JV which establishes a Joint Development Committee ("JDC") to manage JV development activities. The JDC is composed of three members appointed by LipimetiX LLC and two members appointed by the Company. Non-development JV decisions, including the issuance of new equity, incurrence of debt, entry into strategic transactions, licenses or development agreements, sales of assets and liquidation, will be decided by a majority vote of the common ownership units.

The JV, on August 3, 2012, entered into a Management Agreement with Benu to manage JV development activities for a monthly fee of approximately $63,000 during the twenty-seven month development period, and an Accounting Services Agreement with the Company to manage JV accounting and administrative functions. The current accounting services fee is $1,000 a month. Commencing in November 2014, Benu has received a reduced monthly management fee in the amount of $35,000.

The joint venture formation was as follows ($000's):

Patent license rights	$ 1,045
Noncontrolling interests	(667)
Cash paid at formation	$ 378

Patent license rights were recorded at their estimated fair value and are being amortized on a straight-line basis over the key patent life of eighty months.

The financial position and results of operations of the joint venture are presented on a consolidated basis with the financial position and results of operations of the Company. Intercompany transactions have been eliminated. The joint venture agreement requires profits and losses to be allocated on the basis of common ownership equity interests (60% Company / 40% noncontrolling interests). However, for the Company's consolidated financial statement, joint venture losses were recorded on the basis of common ownership equity interests (60% Company / 40% noncontrolling interests) until common ownership equity was reduced to $0. Subsequent joint venture losses have been allocated to the preferred ownership equity (100% Company). Subsequent to March 31, 2013, all joint venture losses have been allocated to the Company. The Company has a revolving loan agreement with the joint venture to advance the joint venture funds for operations in an amount not to exceed a net (net of expected tax credits or other funds obtained) of $700,000, with the net amount due June 30, 2015. Losses incurred by the joint venture in excess of the capital accounts of the joint venture will be allocated to the Company to the extent of net outstanding advances. At December 31, 2014, outstanding advances on the revolving loan agreement totaled $500,000.

The joint venture incurred operating expenses, prior to the elimination of intercompany transactions, of $2,388,000 in 2014 and $6,235,000 for the period from August 3, 2012 (inception) to December 31, 2014, of which $2,388,000 and $5,568,000, respectively, have been allocated to the Company. The joint venture operating expenses are included in research and development expenses in the condensed consolidated statements of operations.

Neither the Company nor the noncontrolling interests have an obligation to contribute additional funds to the joint venture or to assume any joint venture liabilities or to provide a guarantee of either joint venture performance or any joint venture liability. Losses allocated to the noncontrolling interests represent an additional potential loss for the Company as the noncontrolling interests are not obligated to contribute assets to the joint venture to the extent they have a negative capital account, and depending on the ultimate outcome of the joint venture, the Company could potentially absorb all losses associated with the joint venture. From formation of the joint venture, August 3, 2012, through December 31, 2014, losses totaling $667,000 have been allocated to the noncontrolling interests. If the joint venture or Company is unable to obtain additional funding, the ability of the joint venture to continue development of AEM-28 and its analogs would be impaired as would the joint venture's ability to continue operations. If the joint venture does not continue as a going concern, at December 31, 2014 the Company would incur an additional loss of $667,000 for the joint venture losses allocated to the noncontrolling interests.

10. CONTINGENCY – LEGAL PROCEEDINGS

In April 2009, we became aware of a *qui tam* complaint that was filed under seal by Jeffrey J. Bierman as Relator/Plaintiff on March 28, 2005 in the United States District Court for the District of Massachusetts against OrthoLogic and other companies that allegedly manufactured bone growth stimulation devices, including Orthofix International N.V., Orthofix, Inc., DJO Incorporated, Reable Therapeutics, Inc., the Blackstone Group, L.P., Biomet, Inc., EBI, L.P., EBI Holdings, Inc., EBI Medical Systems, Inc., Bioelectron, Inc., LBV Acquisition, Inc., and Smith & Nephew, Inc. By order entered on March 24, 2009, the court unsealed the amended complaint. The amended complaint alleges various causes of action under the federal False Claims Act and state and city false claims acts premised on the contention that the defendants improperly promoted the sale, as opposed to the rental, of bone growth stimulation devices. The amended complaint also includes claims against the defendants for, among other things, allegedly misleading physicians and purportedly causing them to file false claims and for allegedly violating the Anti-kickback Act by providing free products to physicians, waiving patients' insurance co-payments, and providing inducements to independent sales agents to generate business. The Relator/Plaintiff is seeking civil penalties under various state and federal laws, as well as treble damages, which, in the aggregate could exceed the financial resources of the Company.

The United States Government declined to intervene or participate in the case. On September 4, 2009, the Relator/Plaintiff served the amended complaint on the Company. We sold our bone growth stimulation business in November 2003 and have had no further activity in the bone growth stimulation business since that date. We intend, in conjunction with the other defendants, to defend this matter vigorously and believe that at all times our billing practices in our bone growth stimulation business complied with applicable laws. On December 4, 2009, the Company, in conjunction with the other defendants, moved to dismiss the amended complaint with prejudice. In response to that motion, Relator/Plaintiff filed a second amended complaint. On August 17, 2010, the Company, in conjunction with the other defendants, moved to dismiss the second amended complaint with prejudice. That motion was denied by the court on December 8, 2010. On January 28, 2011, we, in conjunction with the other defendants, filed our answer to the second amended complaint. No trial date has been set. Discovery in the case is now open.

Based upon the currently available information, we believe that the ultimate resolution of this matter will not have a material effect on our financial position, liquidity or results of operations. However, because of many questions of law and facts that may arise, the outcome of this litigation is uncertain. If we are unable to successfully defer or otherwise dispose of this litigation, and the Relator/Plaintiff is awarded the damages sought, the litigation would have a material adverse effect on our financial position, liquidity and results of operations and we would not be able to continue our business as it is presently conducted.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Capstone Therapeutics Corp. (formerly OrthoLogic Corp.) of our report dated March 16, 2015, relating to the consolidated financial statements of Capstone Therapeutics Corp. included in this Annual Report (Form 10-K) for the year ended December 31, 2014:

(1) Registration Statement (Form S-8 No. 333-134980) pertaining to OrthoLogic Corp.'s 2005 Equity Incentive Plan
(2) Registration Statement (Form S-8 No. 333-123086) pertaining to OrthoLogic Corp.'s 1997 Stock Option Plan
(3) Registration Statement (Form S-8 No. 333-87334) pertaining to OrthoLogic Corp.'s 1997 Stock Option Plan
(4) Registration Statement (Form S-8 No. 333-35507) pertaining to OrthoLogic Corp.'s 1997 Stock Option Plan
(5) Registration Statement (Form S-8 No. 333-159238) pertaining to OrthoLogic Corp.'s 2005 Equity Incentive Plan
(6) Registration Statement (Form S-8 No. 333-196828) pertaining to Capstone Therapeutics Corp.'s 2005 Equity Incentive Plan

Scottsdale, Arizona
March 16, 2015

/s/ Moss Adams LLP

Exhibit 31.1

CERTIFICATION

I, John M. Holliman, III, certify that:

1. I have reviewed this Annual Report on Form 10-K of Capstone Therapeutics Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2015

By: /s/ John M. Holliman, III
John M. Holliman, III
Executive Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Les M. Taeger, certify that:

1. I have reviewed this Annual Report on Form 10-K of Capstone Therapeutics Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2015
By: /s/ Les M. Taeger
Les M. Taeger
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Capstone Therapeutics Corp. (the "Company") on Form 10-K for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of John M. Holliman, III, Executive Chairman and Principal Executive Officer of the Company, and Les M. Taeger, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ John M. Holliman, III
John M. Holliman, III
Executive Chairman
(Principal Executive Officer)
March 16, 2015

By: /s/ Les M. Taeger
Les M. Taeger
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
March 16, 2015

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Capstone Therapeutics Corp. and will be retained by Capstone Therapeutics Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

DIRECTORS OF CAPSTONE THERAPEUTICS CORP.

John M. Holliman, III
Chairman of the Board

Eric W. Fangmann
Director

Fredric J. Feldman, Ph.D.
Director

Elwood D. Howse, Jr.
Director

OFFICERS OF CAPSTONE THERAPEUTICS CORP.

John M. Holliman, III
Chairman & CEO

Les M. Taeger
Senior Vice President
Chief Financial Officer

CORPORATE INFORMATION

Corporate Offices:
1275 West Washington Street, Suite 104
Tempe, Arizona 85281
www.capstonethx.com

Investor Relations
Capstone Therapeutics Corp.
investorinquiries@capstonethx.com

Corporate Counsel
Quarles & Brady LLP
Phoenix, Arizona

Independent Auditors
Moss Adams LLP
Scottsdale, Arizona

Transfer Agent and Registrar
Computershare

Stockholder correspondence should be mailed to:
Computershare
P.O. Box 30170
College Station, TX 77842-3170

Overnight correspondence should be mailed to:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Stockholder website
www.computershare.com/investor

Stockholder online inquiries
https://www-us.computershare.com/investor/Contact

Stockholder toll free line
877-884-3504

Annual Meeting of Stockholders
Friday, June 19, 2015
1:00 p.m. Local Time
1275 West Washington Street, Suite #104
Tempe, AZ 85281